IMPACT OF FEDERAL BUDGET CUTS ON EMERGENCY FOOD AND SHELTER NEEDS

HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES

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CONTENTS

Page

Press release of Thursday, March 22, 1984, announcing hearing 1

WITNESSES

Alabama Department of Pensions and Security, Leon Frazier 49
Alexander, Willie Joe, Memphis, TN 103
Arkansas Advocates for Children and Families, Evelyn Peel 20
Bewley, Barbara, Mississippi State Department of Public Welfare 83
Bryant, Susie, Memphis TN 102
Chambers, Mary Lou, Tennessee Department of Human Resources 5
Cowart, Glenn 101
Dunaway, Virginia L., Memphis Food Bank 9
Edmiston, Peggy, Shelby County, TN, Division of Community Services 15
Frazier, Leon, Alabama Department of Pensions and Security 49
Gray, Helen, Memphis, TN 102
Gray, Rev. Leo, Memphis, TN 100
Kentucky Cabinet for Human Resources, Sharon Perry 74
Les Passees Rehabilitation Center, Gloria McDaniel 31
Luck, Carolyn, Metropolitan Interfaith Association 7
McDaniel, Gloria, Les Passees Rehabilitation Center 31
Memphis Food Bank, Virginia L. Dunaway 9
Metropolitan Interfaith Association [MIFA]:
  Gid Smith 7
  Carolyn Luck 7
Mississippi State Department of Public Welfare, Barbara Bewley and Morris J. Priebatsch 83
Mobile County, AL, Department of Pensions and Security, Erin Wheeler 46
Morris, Bill, mayor of Shelby County, TN 14
Peel, Evelyn, Arkansas Advocates for Children and Families 20
Perry, Sharon, Kentucky Cabinet for Human Resources 74
Priebatsch, Morris J., Mississippi State Department of Public Welfare 83
Shelby County, TN:
  Mayor Bill Morris 14
  Peggy Edmiston, Division of Community Services 15
Smith, Gid, Metropolitan Interfaith Association 7
Tennessee Department of Human Resources, Mary Lou Chambers 5
United Way of Greater Memphis, Brad Wanzer 13
Wanzer, Brad, United Way of Greater Memphis 13
Wheeler, Erin, Mobile County, AL, Department of Pensions and Security 46
Wooten, James, Memphis, TN 40

SUBMISSIONS FOR THE RECORD

Catholic Public Policy Commission of Tennessee, Bishop J. Francis Stafford, statement 104
Knoxville-Knox County Community Action Committee, Dixie Petrey, letter and attachments 105
Reed, Marcia S., Clarksville, TN, statement 113
Tennessee Hunger Coalition and Kentucky Task Force on Hunger, Callie Hutchison, statement 114

IMPACT OF FEDERAL BUDGET CUTS ON EMERGENCY FOOD AND SHELTER NEEDS

MONDAY, APRIL 9, 1984

HOUSE OF REPRESENTATIVES, COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION,

Memphis, TN.

The subcommittee met at 9:25 a.m., pursuant to notice, in the Shelby County Commission hearing room, 160 North Mid-America Mall, Memphis, TN, Hon. Harold Ford presiding.

[The press release announcing the hearing follows:]

[Press release No. 10, Thursday, March 22, 1984]

HON. HAROLD FORD (D., TENN.), CHAIRMAN, SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES THAT THE PUBLIC HEARING IN MEMPHIS, TENN., PREVIOUSLY SCHEDULED FOR MARCH 2, 1984, WILL BE HELD ON MONDAY, APRIL 9, 1984

The Honorable Harold Ford (D., Tenn.), Chairman of the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives, today announced that the public hearing in Memphis, Tenn., previously scheduled for Friday, March 2, 1984, (press release No. 10, dated February 14, 1984), will be held on Monday, April 9, 1984, beginning at 9:30 a.m. in the Shelby County Commission Chambers, 160 North Mid-America Mall, Memphis, Tenn.

The hearing will examine the impact of Federal Budget cuts on the ability of State and local governments and private agencies to meet the demand for public assistance and emergency food and shelter services by the unemployed, families, the elderly and the handicapped. The hearing is the first in a series of regional hearings the subcommittee will conduct to assess the effectiveness of current public assistance programs. The hearing will include invited witnesses from Alabama, Arkansas, Kentucky, Mississippi and Tennessee. Other individuals and organizations may also request the opportunity to testify.

In addition to addressing the effectiveness of current public assistance programs, witnesses are asked to comment on the President's fiscal year 1985 budget proposals and the bills, H.R. 4326 and H.R. 4327, which have been adopted by the subcommittee.

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD

Requests to be heard must be made by telephone to Harriett Lawler [telephone (202) 225-3627] by close of business, Monday, April 2, 1984. The request should be followed by a formal written request addressed to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, DC 20515. Witnesses will be notified by telephone as soon as possible after the filing deadline.

In order to assure the most productive use of the limited amount of time available for questions, witnesses appearing before the subcommittee are required to submit 30 copies of their prepared statements to the Office of Congressman Harold Ford, 167 North Main St., Suite 369, Memphis, Tenn. 38103, by the close of business, Friday, April 6, 1984.

Each statement to be presented to the subcommittee or any written statement submitted for the record must contain the following information:

1. The name, full address, and capacity in which the witness will appear (as well as a telephone number where he or his designated representative may be reached);
2. A list of any clients or persons, or any organization for whom the witness appears; and
3. A topical outline or summary of the comments and recommendations in the full statement.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE

Persons submitting a written statement in lieu of a personal appearance should submit at least six (6) copies of their statement, by the close of business Monday, April 16, 1984, to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, DC 20515.

Chairman FORD. This hearing of the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means will come to order.

As chairman of the Public Assistance Subcommittee, I would like to welcome to the city of Memphis two of my colleagues who both serve on the Public Assistance Subcommittee of Ways and Means, Mr. Pete Stark, from the State of California, who chaired the Public Assistance Subcommittee prior to your own Congressman from the Memphis area taking the chairmanship over. This distinguished colleague of mine went on to better and brighter things and a more prestigious subcommittee. Mr. Wyche Fowler, from the State of Georgia, is also a member of the Public Assistance Subcommittee of Ways and Means. We are delighted to have these two members of the subcommittee present for the regional session today.

This is the first of a series of public sessions of regional conferences to talk with and to hear from witnesses about the country on the impact of the 1981 budget cuts.

The purpose of the hearing today is to receive testimony from invited witnesses regarding the impact of the Federal budget cuts and the ability of governmental and private voluntary agencies to deal with the growing demand for services by the unemployed, families, the elderly, and the handicapped.

In addition, the subcommittee is interested in hearing from State and local officials and from voluntary agencies who have been involved in the administration of the Emergency Food and Shelter Program which was enacted by Congress a year ago.

Almost 3 years ago, I assumed the chairmanship of this subcommittee. It was less than 2 weeks later, on October 1, 1981, that the ax fell on many social programs in this country as the 1981 Budget Reconciliation Act went into effect. That legislation made devastating cuts in programs within this subcommittee's jurisdiction. The subcommittee began to learn about the impact of the act in a hearing held here in Memphis in November 1981. Today, we are continuing the investigation.

Some may wonder why we are continuing to examine the effects of these budget cuts. The answer is simple. The number of poor Americans is rising at an alarming rate in this country. According to the Census Bureau, no matter how you measure poverty, the number of poor people in the United States is steadily increasing.

In 1978, 24.5 million people lived in poverty, and, in 1982, the number grew to 34.4 million; 15 percent of all Americans live below the poverty level. This increase is, at least in part, due to the Reagan administration cuts in programs serving the poor.

Just 2 weeks ago, the General Accounting Office reported the initial results of an independent analysis of the massive cuts to one of our Nation's most basic welfare programs.

In Aid to Families with Dependent Children, what did the GAO find? That roughly 493,000 families lost AFDC and medicaid altogether, and a vast majority of them could not make up the loss in income, and certainly could not afford to buy the health coverage that was needed.

In Memphis, 45 percent of the families who lost AFDC eligibility were left with no health coverage at all.

Across this country, many of these families are facing more problems because of the cuts that took place in 1981. They run out of food more often, must borrow money more frequently, and face more emergencies.

Nearly 1 million children were cut by these reductions from their health care coverage.

Just last week, the full Committee on Ways and Means approved legislation which would help to address the most critical problem faced by these poor families, the loss of health coverage, by adopting my proposals for an AFDC work transition status which would give many of these families a small AFDC check, and the medicaid that they so desperately need.

It is my hope that these hearings today and other regional sessions throughout this country will, in fact, give this committee the ammunition that we need in order to return to the Congress and to restore many of the programs that we lost in the Reconciliation Act of 1981.

Once again, I am delighted to have the subcommittee here in Memphis. It is the first in a series of these regional sessions, and, at this time, the chairman would like to yield to the ranking person in the committee, Mr. Pete Stark of California.

Mr. STARK. Thank you, Mr. Chairman, and it is a pleasure for me to be here and I want to thank you.

This is the first in a series of hearings which will take place across the country, and it bothers me tremendously, for instance, to see that in the large State of California, a family of four on AFDC is receiving $624 as a maximum grant, and here in the great State of Tennessee, your maximum grant for a family of four on AFDC is $154.

Now, we suspect sometimes in Congress that some of our colleagues from the South would purposely like to keep the bars to getting any aid high, and make it difficult for people in need to receive supplemental income, no matter how small it is. We feel strongly that—and I know the chairman supports this—that when the Federal Government provides assistance to the families in States, it should be equal throughout the country in terms of eligibility and benefits. There should be no difference, whether the family lives in the South, West, or the North.

But, Chairman Ford has done an excellent job, and he is working with us to see that States have the opportunity to increase their

aid to people who need it and get the maximum Federal help that we can provide under these tough budget terms.

He walks a tightrope, a narrow line, because there are those people who would have you spend no Federal money, and yet there are the increasing rates of poverty. If you will pardon my personal observation, most of the increase in poverty is through the efforts of the Reagan administration.

We have increased the number of people who are starving, who do not have safe, comfortable places to live, do not have a decent meal to eat, and do not have a standard of medical care worthy of this great country. I think, Chairman Ford, you are to be congratulated for letting Members of Congress see the differences that exist across the country and see what just a modest amount of additional Federal money could do to bring increased benefits and some level of dignity, safety, and health to people who have been impoverished through the inhumane approach of the Reagan administration.

I thank you for inviting me here to Memphis, and look forward in a week to having you in California, where we again will be having hearings of this type.

Chairman FORD. Thank you very much, Mr. Chairman.

Mr. Fowler.

Mr. FOWLER. Mr. Chairman, I also want to join my colleague, Pete Stark, in thanking you for holding these hearings.

I think you and Mr. Stark have covered the subject very well. We are here to listen to those of you who have to deal with these problems, some created by the public policy in Washington, and I know that those of us in Atlanta, where I live and serve, share many of the problems of the people in Memphis.

Harold Ford has done an outstanding job in pointing out the discrepancies in many of the public policy programs that have been adopted in our Government, which have had the result of giving the most to those who already have the most and taking the most from those who have the least.

One of the responsibilities of our committee is to try to address some of those problems. That is why we are here, and we look forward to hearing from all of you who have agreed to participate in this hearing today.

Thank you very much.

Chairman FORD. Thank you very much, Mr. Fowler.

We have three panels who will be testifying today. The first panel has already been seated, the Memphis Area Public and Private Human Services Organizations.

Panel No. 2 will be recipients of AFDC and SSI.

The third panel will be State and local welfare directors.

At this time, I would like to introduce the staff. The staff director of the Public Assistance and Unemployment Compensation Subcommittee, Mr. Jenson, who is down from Washington, and to my immediate right.

Next to him is Mr. Jay Cooper, also of the Ways and Means, Public Assistance Subcommittee staff.

At this time, the chairman will recognize Ms. Mary Lou Chambers of the regional office of the Tennessee Department of Human Resources as our first witness.

You are recognized at this time.

STATEMENT OF MARY LOU CHAMBERS, REGIONAL DIRECTOR, SHELBY COUNTY OFFICE, TENNESSEE DEPARTMENT OF HUMAN RESOURCES

Ms. CHAMBERS. Thank you, Congressman, and good morning everyone.

Thank you for inviting me to participate in this hearing this morning where we may discuss the Emergency Food and Shelter Program in Memphis and Shelby County.

As noted, I am Mary Lou Chambers, regional director of the Shelby County Office of the Tennessee Department of Human Resources.

I also am on the United Way of Greater Memphis Board of Directors, and, in that capacity, serve as the chairperson of Memphis and Shelby County Local Board Emergency Food and Shelter and National Board Programs.

Public Law 98–8 provides for emergency expenditures that will meet the urgent needs and protect and add to the national wealth by providing productive jobs, not make work, for women and men; providing for the indigent and homeless and accomplishing other purposes.

Under this law, $100 billion was appropriated for the Emergency Food and Shelter Program. However, this appropriation was provided as a grant for use by a national board and half is administered by the State.

United Way of America was designated to administer the national board funds and the Tennessee Department of Human Resources was designated the responsibility of administering those funds available to this State.

These funds became available to Memphis and Shelby County because of the high rate of unemployed. They were distributed by the national board to allow for compensation of programs.

The Memphis and Shelby County local board is composed of regular members of the Red Cross, Shelby County government, Salvation Army, Metropolitan Interfaith Association, Jewish Federation, Memphis city government, Catholic Charities, and United Way.

The initial installment of approximately $294,000 provided an additional 196,623 meals, 114,945 nights' lodging, and 254,800 infant feedings. This program was intended to purchase food and provisions of shelter, to supplement current available resources and not for the substitution or reimbursement for ongoing programs.

Applications were reviewed to determine if the agencies met the requirements set out in the national board guidelines.

Each of the local private voluntary organizations which managed to receive funds was certified to have the capability to provide emergency food and shelter services, be nonprofit, have a voluntary board, have an accounting system, practice nondiscrimination, and would provide the required reports including documentation of all expenditures to the local board.

They also would expend money only on eligible cost and would expend all of it by September 30, 1983.

The second allocation from the national board came to Memphis and Shelby County in December 1983, and was expended or encumbered by March 31, 1984. This allocation was for $193,058.06, and provided for an additional 207,775 meals and 27,985 nights of lodging.

Agencies in Memphis and Shelby County that received money to meet the allocation were the Salvation Army, Metropolitan Interfaith Association, and Family Need or Runaway Shelter, Jewish Family Service, Memphis Food Bank, and the Fund for Needy Children.

We would be glad to provide you with more details on the accounting of these funds, if you would like.

Probably the most outstanding aspect of this procedure was that the turnaround was a time of only 15 days. It seemed as though the money was quick to arrive and promptly disbursed for the needy services.

It is also interesting to note that the maximum administrative fee allowed was 1 percent and some agencies did not request that amount, but, rather, getting their own resources so that the money could meet the emergency requirement.

If there appeared to be a need to shift these funds for meals to lodging or vice versa, we could do this without any problem.

At the end of the accounting period, when it appeared some dollars were not expended, we were able to encumber them for use in the food banks.

This local board also took on the added responsibility of designating the $414,000-plus allocated to Shelby County by the Department of Human Services. The decision to ask the local board to participate in the development of a plan for allocating the dollars from the State was made locally as a result of the efficient manner in which the national board moneys were distributed as well as to assure proper continuty of services and to prevent duplication.

The State of Tennessee received $1,025,878 for the Emergency Food and Shelter Program. This money was distributed throughout the State by the following method: $135,000 was divided into $5,000 increments to 27 rural counties that had not received any funds through the national program. The remaining $890,000-plus was distributed amongst the four urban counties, Davidson, Hamilton, Knox and Shelby, on the basis of combined general population and a service population formula.

Shelby County's allocation of $414,035 represented 46.47 percent of the money available to the urban counties. This money was expended between October 1, 1983, and January 31, 1984, and provided an additional 119,762 meals and 274,813 nights' lodging.

Agencies participating in this allocation were Salvation Army, Memphis Food Bank, MIFA, Jewish Family Services, Shelby County Community Service Agency, Midtown Mental Health Center and a pilot project of the MIFA-HUD cooperation which assisted in providing for 10 homes made available to displaced families. This project has received national acclaim.

I appreciate the opportunity to present the outline of one of the programs of Shelby County's Emergency Food and Shelter Program. Other members of the panel will present a variety of ap-

proaches which will give a broader understanding of the process we employed.

Chairman FORD. Thank you very much.

Before we raise questions to any of the members of the panel, I would like to hear from all the witnesses on panel 1 first, and, at this time, the Metropolitan Interfaith. Mr. Smith.

STATEMENT OF GID SMITH, EXECUTIVE DIRECTOR, METROPOLITAN INTERFAITH ASSOCIATION (MIFA)

Mr. SMITH. Mr. Ford, I have asked two people from the MIFA staff to give testimony to the committee, with your permission. They direct the individual programs that are presented to the committee.

Ms. Carolyn Luck, director of MIFA Social Services, and Ms. Virginia Dunaway, director of the Memphis Food Center.

Chairman FORD. Ms. Carolyn who?

Mr. SMITH. Luck, L-u-c-k, Ms. Carolyn Luck, director of the MIFA Social Services.

Ms. Virginia Dunaway is the director of the Memphis Food Bank.

With your permission, they will give the testimony for MIFA.

Chairman FORD. Ms. Luck and Ms. Dunaway will be recognized and we will take them in that order.

STATEMENT OF CAROLYN LUCK, DIRECTOR, MIFA SOCIAL SERVICES

Ms. LUCK. Thank you.

The Metropolitan Interfaith Association administers three emergency financial assistance programs: The Memphis Emergency Assistance Program for the City of Memphis; churches and synagogues serving families and private programs supported by the local religious community; and the Plus One Program——

Chairman FORD. Pardon me. Would you speak directly into the mike? I am not sure if the audience can hear you.

Ms. LUCK. Is that better?

Chairman FORD. Yes.

Ms. LUCK. OK. Thank you. I will start again.

The Metropolitan Interfaith Association administers three emergency financial assistance programs; the Memphis Emergency Assistance Program for the city of Memphis; churches and synagogues serving families and private programs supported by the local religious community; and the Plus One Program of Memphis Light, Gas & Water, supported by monthly contributions by utility customers.

These funds are used for emergency housing and utility needs, preventing eviction or foreclosure, securing housing for homeless families and individuals, preventing loss of utilities or restoring utility service.

MIFA also coordinates a system of emergency food pantries in churches and church-related agencies.

These programs have felt a definite impact from the Federal budget cuts in AFDC and in the emergency funds made available through the jobs bill.

Overall, we have had a steadily increasing demand for all resources. Fortunately, through the jobs bill funds, we have had increased resources, but we have not been able to keep pace with the needs. All of our funds are consistently exhausted 10 to 15 days before the end of each month.

The emergency food pantry served around 800 persons in 1981. This increased to over 20,000 persons in 1982, and to 35,000 in 1983.

The availability of additional food purchased with the jobs bill funds enabled us to increase our services to this level.

Approximately 50 percent of these families are receiving food stamp benefits. Approximately 50 percent are applying for food stamp benefits.

The top three reasons people need our emergency food service are unemployment, delay in receiving their authorization to participate in cards for the food stamp program, or their food stamps have been exhausted.

Many of these families are in the situation where the only assistance they can receive is food stamps.

Our emergency financial assistance program has assisted 3,607 families in fiscal year 1983. Our funds were increased to allow us to help each family with a maximum of $125, rather than the previous $85, and we helped approximately the same number of families as in 1983, for this year, 1984.

Families can receive this assistance once a year; $220,000 in emergency shelter funds through the jobs bill increased the dollars we had available for emergency housing by almost 50 percent. We estimate these funds will have enabled us to serve approximately 25 percent more families or 1,000 more in 1984 than our regular funds would allow us to assist.

These funds were available with two significant differences from our regular funds. One, we were able to use that for families who had already received their once a year only assistance. This allowed us to be more realistic and to provide more significant help to families deep in financial crisis.

And, two, the ceiling on this assistance was $500 per family, which enabled us to help families with mortgages or with rent above $125 a month.

Many poor families we could not assist at all anymore because their needs were too great or could not assist adequately on the one time only basis which assumes a crisis of 1 month's duration.

Our jobs bill funds for shelter were exhausted in March and we are already seeing families again that we must turn away for the reasons cited above. These families have nowhere else to go. Basically, the same restrictions apply to the Shelby County Family Crisis Intervention Program.

Many of these families are two parent families ineligible for any benefits but food stamps, families for whom unemployment benefits have been exhausted, or were never available, or families without health insurance where a serious illness has caused loss of income.

We also see cases where a single parent is given AFDC, gets a temporary low-paying job which may last 3 weeks or 3 months, or gets substitute work, and loses her AFDC benefits because of the earned income. The reapplication process after the job ceases in lengthy, and the family is totally without income for weeks.

Many of the families we assist are AFDC recipients who cannot meet their basic needs for rent or utilities. The average size family we serve is three people. The maximum AFDC payment one parent and two children can receive in Tennessee is $127 per month.

Far too many of these families must rent private housing because of the shortage of public housing. With the lowest rents being about $65 per month, these families very likely cannot pay for both housing and utilities, let alone the other basic needs not covered by food stamps or medicaid.

The burden on local assistance programs would be eased and families would be helped more effectively if Tennessee's standard of need and AFDC payments were raised. They are currently the lowest in the Nation.

In conclusion, if the purpose of our welfare system is to help families through periods of crisis, until they can get on their feet and provide for themselves, and to provide those basic needs of children during periods when their parents cannot, the policies causing the situations I described must be changed.

When parents are faced with losing all their income and medicaid benefits for the children when they try to improve their situation through temporary or irregular or very low-paying employment, very few will continue to take the risk.

As long as help is available only to single-parent families, two parents in financial desperation will continue to face the shameful by old dilemma of breakup versus survival.

As long as the State of Tennessee puts the basic needs of its indigent children so low in its priorities, their physical health, intelligence, mental health, and ability to become productive adults is at tremendous risk.

Policies which help families to stay together, to have adequate food, shelter, utilities, and medical care, and to get off welfare are badly needed in Memphis and Shelby County.

Thank you.

Chairman FORD. Thank you. Ms. Dunaway.

STATEMENT OF VIRGINIA L. DUNAWAY, DIRECTOR OF THE MEMPHIS FOOD BANK

Ms. DUNAWAY. I am Virginia Dunaway, director of the Memphis Food Bank.

The Memphis Food Bank serves as a clearinghouse to channel wholesome food which is donated by the food industry to 501(c)(3) food agencies which provide free onsite meals or emergency food boxes to the ill, the needy, and infants.

The agencies that the food bank serves are private, nonprofit so their operations are only indirectly affected by Federal budget cuts.

A list of those agencies is attached to the outline.

However, the requests they receive for food are related to cuts in Federal funding, or to effect the present economy has upon their client's family incomes.

My testimony today results from my conversation with the representatives of some of these agencies that get food from the food bank to feed these people.

The lack of adequate food stamps is the most frequently cited reason why clients come to these agencies for emergency food. By the last week of the month, people do not have food for their families.

Julie Boling of the Memphis Union Mission said at the beginning of the month when food stamps have just arrived, they feed approximately 20 people daily coming for food in addition to the transients who are outside our food stamp structure.

By the end of the month, this number has grown to 60 or 70 daily. She expressed gratitude for the USDA commodities and for private donations in helping meet these needs. She cited the food bank as a major example of the private sector's involvement in helping them feed their clients.

She reports that she has seen more young people in the new faces who come for help. They frequently are the new poor who have lost jobs or who have spent their food dollars to pay high utility bills.

Reverend Alex Chambers, the pastor of Mount Olive Cathedral C.M.E., gives a similar report on the people that his church serves through its soup kitchen and food pantry. He noted that he has seen more white people in the serving line than previously, and considered this a significant development since his is a black church.

JoeAnn Ballard, director of Neighborhood Christian Center, which has three centers in Memphis, said they are serving people who have lost unemployment benefits as well as the chronic unemployed.

In addition to the families who consistently run out of food stamps before the end of the month, they have seen people who have had to sell their food stamps to pay rent and/or utilities and are then convicted of food stamp fraud, therefore, losing their food stamps altogether. She said that, unfortunately, she predicted the problem would become more prevalent since for many of the chronic unemployed, there is no other source of income to pay these bills.

Anna Clark, program director of Goodwill Homes Community Services, which serves both senior citizens and children, told me last week that many of the seniors who come in the senior nutrition program run out of food stamps before the end of the month. The cut in food stamps, added to the fact that with inflation the food stamps no longer purchase as much food as in the past, causes many seniors to do without food at home.

Fortunately, the hot noon meal at the senior nutrition site means that they can now have at least one nutritious meal 5 days a week.

Her story could be repeated by many involved in the senior nutrition program. Please help us maintain this funding.

Ms. Clark routinely seeks help from church food pantries for families who have used up their food stamps. She suggested that if the situation is going to be improved, more food stamps are needed as well as the reinstatement provision that allows people to purchase supplemental stamps.

Patti Deal of Dixie Homes Boys Club expressed concern that the summer will be a hungry time for many of the boys served by boys

clubs throughout the city. The fact that an insufficient number of meals are available through the Government funded summer meals program means that many of the boys will be inadequately fed this summer.

Some are already hungry. She cited the fact that they have noticed a higher incident food theft. It is not just snitching a candy bar. This is good kids taking excessive amounts of meal-type foods.

One of the coworkers told of boys who come to the center after school and stay in the center until it closes at 9 p.m. without going home for supper. There is no food at home.

Now that I have highlighted some of the problems faced by the agencies who are seeking to feed the needy in Memphis, I will express our gratitude for the funding to purchase foods that has been available through the emergency food and shelter portion of the jobs bill.

These funds have enabled agencies to provide more than 350,000 meals—either onsite or in emergency food boxes. Food for additional emergency food boxes have already been purchased and will be distributed during the next few weeks. This has made a significant impact on the hungry in Memphis.

The fact that inadequate funds were available for distribution of this food has worked something of a hardship on the food bank's budget. I hope that when another round of funds is provided, we will be able to recoup more of our operating costs associated with the program.

Judging from the comments we have received from agencies participating in the food bank, it is safe to say that without food from the food bank, local charitable agencies would have been unable to maintain and at times increase the levels of service needed to meet their nutritional requests.

There still have been some nutritional needs that have not been met. The Memphis Food Bank serves as the focal point for many efforts of the private sector to alleviate hunger in Memphis.

This problem is too large for the private sector to handle. Private efforts coupled with the jobs bill has made a dent in the hunger problem, but continued and, in some cases, expanded Government support is needed in the area of food stamps, senior nutrition programs, and summer feeding programs.

Thank you.

[Attachment to the statement follows:]

MEMPHIS FOOD BANK MEMBER AGENCIES

Arkansas Home, Health and Hospice Agency, Inc.
Bethany Home.
Big Brothers/Big Sisters of Greater Memphis.
Boys Clubs of Memphis, Inc.
Boys Town, Inc.
Breath of Life SDA F.P.
Bush Grove #1 M.B. Church Food Pantry.
Calvary Rescue Mission.
Catholic Charities.
Centenary Methodist Church.
Christ Missionary Baptist Church Food Pantry.
Citywide Crisis Unit.
CoDe North.
Davis YMCA Day Care.

Dogwood Village.
East Memphis Senior Center.
Easter Seal Society of West Tennessee, Inc.
Epworth Methodist Church.
Evergreen Presbyterian Church Food Pantry.
Faith Assembly Christian Church.
Family Link.
First Presbyterian Church Day Care.
First United Methodist Church Downtown Food Pantry.
Friendship Church Food Pantry.
Golden Leaf Baptist Church Day Care Center.
Goodwill Homes Community Services, Inc.
Goodwill Homes Day Camp.
Goodwill Homes Day Care.
Goodwill Homes Foster Home.
Goodwill Homes Senior Citizens Center.
Grace House.
Grace-St. Luke's Episcopal Church Food Pantry.
Greenwood Learning Center.
Happy Children Day Care Center, Inc.
Harbor House.
Harvest Time Fellowship/PTL Club.
Holy Names Catholic Church.
James Day Care Center.
Jessie Mahan Center.
Kings Daughters and Sons Home.
Lamar Terrace Baptist Church Food Pantry.
Lane Chapel CME Day Care Center.
Lane Chapel CME Forrest City, Arkansas.
Leath St. Day Care Center.
Les Passees Rehabilitation Center.
Lewis Center for Senior Citizens.
Lindenwood Christian Church Food Pantry.
MIFA Nutrition Services.
Mission Outreach of Paragould, Inc.
Mt. Olive C.M.E. Cathedral.
Mt. Pleasant M.B. Church.
Neighborhood Christian Center.
Neighborhood House (Day Care).
Northeast Mental Health Center.
Op-Act, Inc.
Orange Mound Day Nursery.
People That Love Center.
Pilgrim Rest Baptist Church Food Pantry.
Poor Peoples Health Council, Rossville, Tennessee.
Porter-Leath Children's Center/Day Care Homes.
Porter-Leath—Parkway Group Home.
Riverview/Kansas Day Care Center.
Rock of Ages CME Food Pantry.
Rural Life Foundation, Savannah, Tennessee.
Salvation Army Adult Day Care Center.
Salvation Army Adult Rehabilitation Center.
Salvation Army-Ben Lear.
Salvation Army Child Day Care Center.
Salvation Army-Monroe.
Salvation Army-Southside Corps.
Salvation Army Women's Pre-release Program.
Serenity House/Men
Serenity House/Women.
South Memphis Senior Center.
Southeast Mental Health Center.
St. Andrew's Presbyterian Church Food Pantry.
St. John Catholic Church Food Pantry.
St. John's United Methodist Church Food Pantry.
St. Patrick's Food Pantry.
St. Thomas Catholic Food Pantry.
Tennessee Baptist Children's Home.

United Methodist Neighborhood Centers, Inc.
University Churches Day Care.
University Cluster Food Pantry.
Watkins Chapel CME Church.
Wesley Foundation United Methodist Church After School Activity Program.
Wesley House Day Care.
Whitehaven Community Food Pantry.
Whitehaven Southwest Mental Health Center.
Williams Foster Group Care Homes, Inc.
Woodland Church Food Pantry.
YWCA Wife Abuse Service.
Youth Services in Memphis, Inc.
Youthtown of Tennessee.

Chairman FORD. Thank you very much.

Mr. Brad Wanzer, planning and allocations director for United Way.

STATEMENT OF BRAD WANZER, PLANNING DIRECTOR, UNITED WAY OF GREATER MEMPHIS

Mr. WANZER. Good morning.

Chairman FORD. Good morning.

Mr. WANZER. Following Mary Lou, Virginia, and Carolyn usually means there is not much left to say, and, as usual, that is the case today.

United Way of Greater Memphis served as the administrative arm for the two local board activities of the national board, and we provide that on an in-kind basis.

I think that rather than rehash everything that has gone before me, there are a couple of short observations that I would like to make.

One, the guidelines that were attached to the jobs bill emergency food and shelter programs showed a great deal of faith in the local community with the people being able to come together and cooperate and deliver services. We saw tremendous cooperation locally, we had no hassles, no complaints.

The agencies providing the services were fully accountable, and when you look at almost, in the last year, one-half million meals provided above the normal level, 140,000 nights of lodging, 254,000 infant feedings, and see that the maximum administrative costs charged by the agencies was $800, you can see that we have a pretty good faith effort here in Memphis.

The cooperation is super. The lack of any kind of nitpicking or complaints really made the program functional and I would hope this type of program could be continued in the future, and the local community will continue to meet the needs that they are aware of.

Thank you.

Chairman FORD. Thank you.

Ms. Peggy Edmiston, the director of the Shelby County Welfare Department.

Ms. EDMISTON. Mr. Chairman, thank you for the opportunity of participating in this hearing.

Mayor Morris is here, as you know, and I do want to make this comment, that Mayor Morris' administration is committed to helping our many needy citizens who really want and need a hand up, not a hand out.

Chairman FORD. Madam Director, if you do not mind, at this time, before you give your testimony on behalf of the county, I would like you to yield at this time to our distinguished mayor of Shelby County, Mayor Morris, one who has expressed and shown his longstanding commitment to the needs of social services and the poor, not only here in this county, but throughout this state.

At this time, the chairman would like to recognize the mayor of Shelby County, Mayor Bill Morris.

STATEMENT OF BILL MORRIS, MAYOR, SHELBY COUNTY, TN

Mr. MORRIS. Thank you very much, Mr. Congressman, and, certainly, Ms. Edmiston will talk to the specifics of the county's concerns this morning.

And, I would be remiss, though, if I did not come here to say to you how much I appreciate as the mayor of Shelby County your presence and your colleagues in our city and in our county this morning to address these concerns, and particularly as it relates to the Federal budget cuts that affect the lives, and the quality of life of so many people in our community.

As you are well aware, 40 percent of the people in our city and county are earning less than one-half of the remaining 60 percent of the people who live in our county and housing and food and shelter and clothing and all of the essentials of life are very much in question in the hearts and minds of a lot of people in our community this morning.

And, they are going to be much more so as we discuss our concerns about the future of the Federal budget cuts in so many areas as we talk about the budget for 1984 and 1985.

So, I want to express my appreciation for the fact that you have come here this morning, as you have done on so many occasions, to alert the community of what is going on in Washington and to relate the administration's position on what is going to be done for the people of our community.

And, second, to hear from us because you are making decisions every day in Washington because the community has spoken and you have listened, and, I, as a public official, appreciate the position you have taken on so many occasions and thank you for that, and, particularly, your colleagues, this is a very good opportunity for the citizens to have input.

That is the way the process works and the way it should work, and we hope that your deliberations will be successful and that you will be able to go back to Washington, and you will carry a message from the people of the mid-south area, whether it is Mobile, AL, or Little Rock, AR, or Nashville, TN, there are some concerns among the poor people of this area, and I hope the people will listen.

There are hungry people in America today. There are people who need housing in America today, and there are people who need, as much as anything else, they are concerned that the major elected officials in America should be concerned about that housing and those jobs and a quality of life.

So, we thank you for your presence and I wish you well.

Chairman FORD. Thank you very much, Mr. Mayor. Ms. Edmiston, you may proceed.

STATEMENT OF PEGGY EDMISTON, DIRECTOR, SHELBY COUNTY DIVISION OF COMMUNITY SERVICES

Ms. EDMISTON. Thank you very much, Mr. Chairman.

As you are well aware, Mr. Chairman, some 20 percent of the State's poverty population resides here in Shelby County.

As a result of that, any budget cuts, our programs locally here are exaggerated or exacerbated actually by the sheer numbers involved, and what we see happening from a local government standpoint then is that with the Federal budget cuts, and we see State budget cuts, but at the local level, we are the government of last resort.

Either we have to stop doing something we are doing or find other ways to do it. So it is very critical here at the local level.

Here in our county government, we are distributing about 20,000 pounds of USDA surplus commodities daily. We see a tremendous need out in the community. There are people who are hungry.

As the other panelists have mentioned, people who are unemployed, people who experience delay in receiving their authorization to purchase a food stamp card, or their food stamps are exhausted, or there are people who are living marginally who simply are not eligible for a number of benefit.

So, there is a tremendous need in the community.

As Mayor Morris mentioned, he sees, as we in county government see, that housing is perhaps the most critical issue facing us now and in the future.

We feel that the housing, substandard housing, is a part of the poverty cycle and decent housing can help to break that cycle.

Here in this county, there are some 8,000 households on the waiting list for Memphis housing projects. There are 3,500 elderly on the waiting list for subsidized housing, and we are not even scratching the surface in meeting this need.

So, we see this as an area where local government and with your assistance, and you certainly have helped us, Congressman Ford, we see this as a critical issue that we all as partners must address.

I think, to reiterate what Mr. Wanzer said, about the jobs bill program that went to the private sector, I think we got the most—I guess the most glaring thing in that program was the ease with which it was administered.

You do not see in this private sector administration area the bureaucratic redtape, the money was passed quickly, the money was disbursed quickly, and I would venture to say that had it been government administered, you would not have seen it happen that quickly. It would have been much harder to have helped the people involved.

So, again, thank you, Congressman, for your help.

We have many, many needs in this county and in this State as far as our poor are concerned, and I will say that the Shelby County government stands ready to assist in anyway that we can.

Thank you.

Chairman FORD. Thank you very much, Ms. Edmiston.

At this time, the Chair would like to thank each panelist for your testimony, and at this time, I will recognize Mr. Pete Stark.

Mr. STARK. Mr. Chairman, I want to thank the panel for taking the time to highlight for us today the problems that have been caused by the changes and cutbacks, and I think that as we collect this information across the country, we are going to see a real need to identify what we can do with such little money.

We have had to sit and cut $1 or $2 billion and I know that sounds like an awful lot of money when you are talking about running a city or a county government, but when you think that we are spending $300 billion in defense and spending $12,000 for a wrench that costs 6 cents, you would think that our colleagues would be able to find a way to balance this budget without really balancing it on the backs of the poor, and the people who are really so helpless. We are not asking much.

As was said in your State, a family in need, who has dependent children is getting only $154. I just cannot imagine, and I don't suppose anybody in this room can really imagine, how these families are coping with $154-plus food stamps to provide for their families.

I think we can, with the information you have given us in your testimony, go back and argue with our colleagues that cuts should not be made in order to save money.

I have often said that Mr. Stockman in the Office of Management and Budget, knows the cost of everything, but he knows the value of nothing.

It is the saddest of sad situations we deal with. I think your illustrations of what our cost cutting does to human values is most important, and I want to thank you for your testimony.

Chairman FORD. Mr. Fowler.

Mr. FOWLER. Mr. Chairman, these witnesses have to live with these programs every day, not only the public service that that implies, but pointing out the human testimony and the specifics, the extent of the problem.

Those of us on the committee continue to wrestle with the problem of how not only we serve those that are in genuine need at the lower levels of the economic scale, but how we do a better job of addressing poverty as the national problem that it is.

Ms. Luck, I think, pointed out that Tennessee's standard of need is the lowest in the country. Georgia is not much higher than many States in our region. But it seems to be coming increasingly evident to those of us who feel that also somehow in the public arena, we have got to make people understand that it is both the State and Federal Government that are going to have to get together on this problem. Whatever standard the State picks, of course, governs all of these formulas and matching forms and also creates some of the problems of disparity that Mr. Stark pointed out.

Well, that is an obvious observation, and I thank you for your testimony, and I am sure the chairman would echo back to any of you who do have this hands on everyday experience and have specific suggestions to us and our committee and Congress as to how we can do it better.

Even in writing our standards or cooperating or working the formulas to be fairer, we would certainly like for you to let us know.

Some are incorporated in your statements. Some, I am sure, would be better and more specific if you could communicate them in private, and we would be glad to receive those also.

Chairman FORD. Thank you, Mr. Fowler.

Ms. Chambers, in your testimony before the committee, you described the program, on the Emergency Assistance Program, very well.

I would like to know, could you just maybe tell us, you know, a few of the problems or maybe a little bit more specific, give some examples of the problems that exist that are out there?

Now, you have told us about the program, and we know that there is no legislation in Congress as of today to refund, or to allocate, another $100 million to the States and the private agencies.

Could you tell us whether or not there is a need for the Congress to take action to appropriate additional funds for the emergency food and shelter programs?

Ms. CHAMBERS. I think it is quite obvious that the funds were needed. We were very grateful for the second round, as we called it, of funds that came in December, because the moneys that were expended in the fall got us through the fall and——

Chairman FORD. But, what are the problems that are out there at the present time?

Ms. CHAMBERS. As a part of the human services, we have what we call an information referral group of people. They take telephone calls, and they take the walk-ins. We have somewhere between 4,000 and 5,000 telephone calls a month asking for assistance in receiving help in getting food stamps, in getting shelter, or whatever the needs, food, clothing, all sorts of questions about where can I go.

Chairman FORD. Out of the 4,000 or 5,000 calls that are received, do you think that all would qualify for some emergency assistance under whatever guidelines are used by the agency?

Ms. CHAMBERS. Whatever they need, those are emergencies to them.

According to certain guidelines that are set out, either by National or State guidelines, some are not eligible. But, certainly we want to refer them to those places that can give them the assistance that they need at that time, and, yes, I would say that they are in need.

This network that we have through MIFA and the churches and synagogue organizations have been able to help with the basics immediately, but these are certainly not long-range needs that are addressed when you are out of work for a long period of time or if you are being evicted.

These were helps of maybe one time assistance or something very quick, but, as you know, when people are being evicted, you do not have just 1 month's rent to pay. That means that you have got several months' rent owing, and those funds were not sufficient to address all of that amount.

We try, but the chances are that you are not going to be going back to work in the next week or so, and that is when those people call. You know, a lot of people who have never been assisted before, who have never known where to go or what to do, and these people

are really pathetic in their need for assistance in knowing where to go and what to do.

Chairman FORD. United Way, are you receiving calls or have you identified many of the problems that are out there that do not have funds to respond to through the Emergency and Shelter Food Program?

Mr. WANZER. We are in the process right now of doing some budgeting for 1985, and as a part of the planning process for that, we have identified, with strictly the 51 agencies we are currently funding, about a 30- to 35-percent increase needed in the funding.

A lot of it has to do with coping, especially in the counseling area, the runaways, spouse abuse. It seems like that as times get tough and when the people are out of work, that there is a significant increase in coping with these types of problems, and our runaway shelter—again, this last year, 70 percent of our runaway problems involved with family neglect and have turned out to be involving sexual abuse.

But, again, it is a sign of increased stress in the family, and we just see a higher demand across the board.

Chairman FORD. You know, I am concerned as to whether or not we should make the welfare program more flexible. Should we expand the Federal Government's program on emergency assistance as a way to meet the emergency needs that the AFDC, SSI, and other health related programs, along with the Food Stamp Program, that are not currently designed to meet some of the needs that MIFA and United Way and other agencies are [illegible] meeting the needs of the poorest of the poor in this country.

And, I think that President Reagan talked about that safety net in 1981, it would be a safeguard within the 1981 Budget Reconciliation Act, and I think what we are hearing now and we have heard in the last 2½ years before this subcommittee, is that that safety net has had some holes there that many of the poorest of the poor slipped through, and my concern now is, what kind of flexibility should be given with expanding the welfare programs, SSI, AFDC, and other health and medicaid programs?

I would like the MIFA lady to sort of respond since you all are directly involved with the program.

Ms. LUCK. I think one of the major areas to look at with the flexibility is some kind of ongoing assistance for poor people whose unemployment benefits have run out, or at least what I am talking about is a single individual who is not mentally or physically disabled, or the two-parent family where there is not mental or physical disability. Those are the folks that cannot get anything but food stamps.

Every local program we have, and even the emergency shelter moneys that we got through the jobs bill, were on a one time crisis assumption. You know, we can help you out this month and then you are on your own, and you will be OK.

There is nothing that carries over a period of months' duration that is in that crisis situation.

Chairman FORD. In other words, there is a new class of poor people, the new poor is out there that maybe we have problems in trying to reach and maybe some flexibility within the programs

certainly that identify and respond to some of the needs of the new poor in this country.

Ms. LUCK. Yes, those are the people who are not being provided for by local programs and by State programs.

Chairman FORD. Maybe will not meet the eligibility requirements to be qualified for some of this assistance.

I understand in the State of Tennessee that we have not increased or changed or had any corrections within our standard of need since 1969, if I am correct?

Ms. LUCK. Right. Correct.

Chairman FORD. But, I understand that there is a bill before the general assembly now that will address the needs of changing some of the provisions within the standard of need here in the State.

I am not familiar with the legislation. I did invite one or two of the State senators down today, maybe to give us more or less a briefing on it, and, hopefully, our committee will be able to work with, you know, the State legislative bodies here and, hopefully, we can move a piece of legislation of that nature here in the State of Tennessee.

Fifteen years without change in it, without any amendments to it at all; it is high time for the State of Tennessee to look very closely, since we placed where, probably 49th or 50th?

Ms. CHAMBERS. Fiftieth.

Mr. WANZER. Last.

Chairman FORD. Last. Well, I think it goes without saying that we need to address those problems.

The chairman, unless there are other questions by members of the committee, the chairman would like to thank each one of the panelists for testifying before the subcommittee today.

Thank you very much.

The chairman will recognize Ms. Evelyn Peel, Little Rock, AR, Advocate for Children and Families; Mr. Robert Bell, Mississippi Children's Defense Fund; Ms. Callie Hutchison, director of the Tennessee Hunger Coalition from Nashville.

Mr. Robert Bell?

[No response.]

Ms. Callie Hutchison, the Tennessee Hunger Coalition?

[No response.]

We are a few minutes ahead of schedule. That is why we are lacking some of the witnesses. We gave everybody a certain time as witnesses to be here and we are a few minutes ahead of time.

But I would like to call Mr. James Wooten. Please come to one of the witness tables to my left, and we would like to get Ms. Gloria McDaniel with Les Passees to the witness stand to my left.

And, at this time, the Chair will recognize Ms. Evelyn Peel.

I want to thank you very much for coming over, traveling from Little Rock to be a witness this morning. It is mighty kind of you to bring your testimony and to make a personal appearance.

You are recognized at this time.

STATEMENT OF EVELYN PEEL, RESEARCH ANALYST, ARKANSAS ADVOCATES FOR CHILDREN AND FAMILIES

Ms. PEEL. I am Evelyn Peel. I am the research analyst of the Arkansas Advocates for Children and Families. Arkansas Advocates is a small private, nonprofit organization, but, it has big concerns. It is concerned with all issues that affect children, and since one out of four kids in our State lives in poverty, we are real concerned about the AFDC program and what has happened to it.

October 1981, marks an unfavorable turning point for the program. Not only did the Federal Government put restrictive legislation into effect at that time, our own State did, too. It lowered payments, AFDC payments, drastically.

I thought we were bad off, but after I heard the Tennessee situation, they are even worse off than we are. So, what I have to say applies to Arkansas and Tennessee, and I am sure to other States, other Southern States.

By February 1, 4,000 families were kicked off of AFDC, the result of a combination of Federal and State policies, and about 30,000 other families had their AFDC payments reduced.

Mr. FOWLER. Excuse me, Ms. Peel. What was the primary reason for the—to use your fine phrase, "kicking them off"? Which standard of eligibility did they not meet under the change?

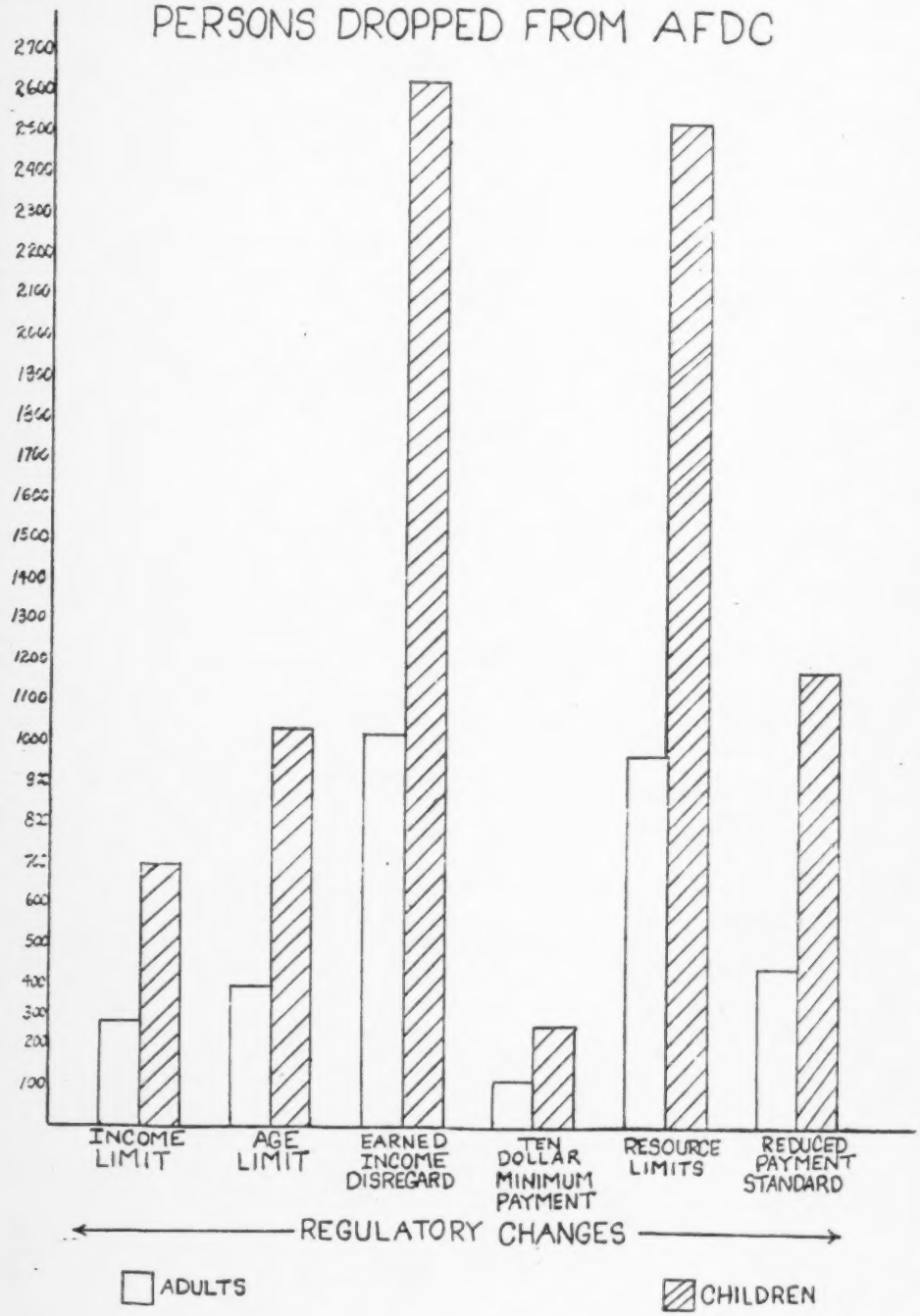
Ms. PEEL. It was a combination of factors. The 150-percent gross income test was important. Another was the lowering of the payment standard in terms of the standard of need, which we did ourselves. The Federal Government did not mandate that.

I guess those are the two major ones, although I could furnish you more specifically estimates, if you want them.

Mr. FOWLER. I wish you would. Thank you.

[The information follows:]

The number of cases closed was taken from the Governor's presentation to the Legislative Council in September, 1981. Impact on children and adults was calculated based on Social Services Annual Report data indicating that each AFDC case consists, on the average, of 2.1 children and .8 adults. This graph was prepared by Arkansas Advocates for Children and Families, December, 1981.



Ms. PEEL. OK. Anyway, by the second half of last year, the average monthly number of families receiving AFDC in Arkansas was 25 percent below what it had been in the first half of 1981, shortly before the new policy went into effect. Aggregate payments for AFDC were 40 percent less.

My testimony will be divided into two major parts: one is to point out the work disincentive features of the Federal policies and how they affected us, the other is to point out the faults of AFDC that State generated and suggest ways the Federal Government might help us to take care of them.

We believe that a well-designed welfare program ought to assure that the recipient is better off if he or she works than if he or she does not work. AFDC before October of 1981, had that assurance. That no longer exists. By the end of 1979, 16.2 percent of our AFDC families had some income and now only about 3 percent have any earned income. Some of the decline is due to economic circumstances, I realize, but not that big an amount.

The 150-percent gross income test affected our poor very, very much because our standard of need is so low. They do not have to work very much before they exceed the 150-percent level that makes them ineligible for AFDC.

On the other hand, in a State like New York, you probably can work at a minimum wage for a long period—all year long—and still be able to be eligible for some AFDC.

Chairman FORD. I certainly do not want to interrupt your testimony, but just last week, the Ways and Means Committee with the able assistance from the two members here on the Public Assistance Committee, we were able to make a change in the 150-percent law.

We changed that to 130 percent of poverty, and we have started working within the framework of what the food stamp eligibility, the income limit would be. So, we have now changed from the Ways and Means Committee, and sent it to the House floor, some corrections there moving the income limit to the 130 per cent of poverty.

Ms. PEEL. That will be great if you can get——

Chairman FORD. But, I am not sure it is going to solve the whole problem. But, at least it will go back again to the Senate floor.

Ms. PEEL. If a mother with two childern earns $4,215 a year, she cannot get any AFDC. A woman who works 40 hours a week all year long would need five or more kids before she would be eligible for any AFDC help.

Now, it is true that when some people were dropped from AFDC, their food stamps were increased, but that does not always help. Food stamps can only buy food. You cannot buy shoes for the kids; you cannot buy laundry supplies. This leads to black marketing and selling food stamps to buy gasoline.

Probably one of the most severe hardships due to being taken off of AFDC is loss of medicaid. The best bet for people who are low income and not eligible for AFDC is the medically needy spend-down program and, I am happy and proud to say that Arkansas has that program. Its' eligibility period, however, is temporary and episodic. So, it means that kids are not able to participate meaningfully in medicaid's EPSDT program, which, as you know, detects

and treats problems early so they won't evolve into serious problems later. As Child Advocates, we are always interested and concerned about a viable EPSDT program that covers as many of the poor kids as possible.

The next issue I want to discuss is the time limit that we put on the work incentive. I define the work incentive as $30-plus one-third of earnings a recipient is allowed to keep during her first 4 months of work. After a 4-month period, a woman who works loses $1 of benefits for each dollar of earnings. In other words, it is 100 percent tax.

In my written testimony, I have the example of two families, each with a mother and two children. One mother does not work and receives $164 a month. The other one does work and my assumption is she makes $250 a month. She spends $100 for day care for her two children.

So, the woman who works, under my assumption, makes $230 a month during her first 4 months of work compared to the $164 that the nonworking mother makes. After 4 months she makes only $163.20. She is left a few cents worse off than the nonworking mother. If in fact, the working mother does not receive her earned income credit that the program assumes receives, she is even worse off than the nonworking mother during the 4 months that she has the work incentive. It is almost impossible, therefore for an AFDC mother to work and be better off than the nonworking mother.

Some of these concerns, are more important than others so as I am going through them, you can stop me if I am taking too long.

Another thing that discourages work is that the AFDC work incentive cannot be restored until the family is off AFDC for 12 months. If shortly after the 4-month work incentive period a mother loses her job and gets back on AFDC, there might be little reason for her to try to seek out another job, because she cannot get the work incentive again.

Still another point is that there is now a ceiling on the amount of work expenses that is allowed to be deducted from earnings. In Arkansas a part-time worker can deduct $40 a month. Previously, a worker could itemize all of her work expenses and, as I understand it, include mandated deductions such as OASDI and the withholding tax. This is no longer so.

Well, in my example of a woman with two children earning $250 a month, she does not have to pay income tax, and she misses having a withholding tax taken out; yet she still has to pay OASDI, which comes to about $16 and some change. Therefore, she only has $23 a month left for transportation and all the other work-related expenses.

The earned income credit is still another problem. Federal regulations state that it should be assumed that the earned income credit is advanced whether or not it is advanced. Because of casual nature of many of the jobs the AFDC population holds, I doubt that the earned income credit often is advanced. Really, there are disadvantages in having it advanced. Persons who received their earned income credit in advance may have to pay back overpayments if the advances are larger than the amount they are entitled to.

A former AFDC client was to come with me, but she was reluctant to come because she did not want her name to be made public

that she testified for fear of losing her job. She was a victim of the earned income credit.

Because of the assumed earned income credit, she became ineligible for AFDC. Arkansas has a policy that if your employer does not want to advance the money, and I guess it is kind of administratively burden for them to do so. and if the employer writes a letter saying so, then the earned income credit won't be assumed. This employer would not write a letter.

Well, the employer would be a fool to write the letter, because the IRS regulations say that if an employee wants an advanced EIC, then the employer has to give it to them. He is not going to put in writing that he is violating IRS regulations.

Actually, the earned income credit is not so important in Arkansas because so few AFDC recipients work, and for those who work, the amount of the credit is sort of piddling. They virtually must be out of work to get AFDC in Arkansas. But there is a principle involved. Income should not be assumed for people on the bottom of the economic ladder.

Even the rules of the retrospective payment system might discourage work. As I say, some of these issues are more important than others. This might tend to discourage accepting short-term employment, because the payment received is based on the income 2 months earlier. So, the very month you lose your job—you might, in fact, not receive payment because it is based on 2 months previous.

I now would like to turn to some Arkansas AFDC policies that need some improvement. Our standard of need is also horrible, but I guess it is not as bad as Tennessee's. It dates from 1976, and was a bare bone standard when set. It assumes that a mother with eight children and a mother with one child—I mean, implicitly, it does not state the assumption explicity—have the same expenditures, such as school supplies. It has never been adjusted for the rise in the cost of living, so, the disparity between the standard of need and the poverty index has deteriorated. It used to be about, depending on the size of the family that you are looking at, it used to be between 40 and 50 percent of the poverty index, and now it is only about 24 to 35 percent of the poverty index.

Moreover our AFDC payment has never been 100 percent of even the meager standard of need. It used to be 69 percent and in October 1981, was reduced to 52 percent for about 5 months; then it was raised 60 percent and just in January of this year, it was raised to 70 percent.

Well, now it is 1 percent more than it had been way back in 1976. In terms of purchasing power, during the past 2¼ years AFDC payments could only buy a little bit better than half of what you could purchase back in 1976. And, for that 5-month period when it was 52 percent of the standard, it was even lower. Even now, when we pay $191 for a family of four the payment has a purchasing power of $115 in 1976, and you would need $300 for a family of four to restore the 1976 purchasing power.

Another thing that I consider bad in Arkansas is the unexercised options that the Federal Government does indeed offer but Arkansas has not taken.

One is the two-parent family. We do not give AFDC to that family unless one parent is disabled. Thus the family must make the decision of whether to stay intact and suffer the financial consequences or for one parent to desert for real, or fraudulently. Poor financial circumstances often make for fragile family relationships and our State's policies do not help that relationship at all.

Now, I do not have anything about this in my testimony. Arkansas does not give AFDC to the unemployed. What I personally would like to see is the States be forced to involve the unemployed at least under some kind of condition—when the unemployment rate gets to an *x* percent or when the unemployment compensation payments run out.

Despite all that has been said about the importance of prenatal care for the development of an individual, we do not give AFDC to first time pregnant women. Neither do we give medicaid to first-time pregnant women as soon as pregnancy is medically verified.

Now, I would like to read you some recommendations that basically follow my dichotomy. One set of recommendations is based on the fact that Federal policies seem to ignore that the bottom line with poor people is disposable cash income. It is what you have in your hand that you can spend. This set of recommendations also is based on the fact that Federal regulations discourage work, and that is a sad policy for welfare, I think.

Anyway, we would suggest you repeal the 150-percent gross income test. Because of Arkansas' low standard of need, the test virtually disqualifies from the AFDC Program any mother who wants to work in order to supplement the low AFDC grant Arkansas pays.

Repeal the 4-month time limit on the work incentive so that after 4-months, the AFDC grant will no longer be reduced a dollar for each dollar earned in excess of allowable deductions, such as day care for the working mother.

Probably few of us would be willing to work after we reached the 100-percent tax bracket.

H.R. 4327 apparently proposes a more generous work incentive formula than the present one, and we are happy about that. But, we think it may be a little bit too complicated.

We recommend discontinuing the deeming of the earned income credit as countable income, and we recommend restoring the practice of itemizing work expenses, and of including as a work expense, mandatory expenses, such as OASDI taxes.

The second group of recommendations evolve from adverse Arkansas AFDC policies, but policies which the Federal Government can do something about.

The Federal Government should mandate periodic adjustments in the level of AFDC payments to reflect price changes, just as it does for SSI and OASDI income programs.

The adjustment may be based on the cost of living, or the median income of a State or on other standards. States in which the payment standard and the need standard are not the same should be prohibited from lowering the relationship between the two as a means of offsetting the price adjustment.

We recommend covering under medicaid the first time pregnant woman as soon as the pregnancy is verified medically and at least

make optional AFDC coverage of pregnancy as soon as it can be medically verified.

Congress should consider federalizing the AFDC Program, just as it did some years ago with the Old Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to the Blind Programs which were combined into SSI. I do not know if some of you here are old enough to remember when that was done. These programs were joint Federal and State programs just like AFDC. If we federalize AFDC programs, it would provide at least a minimal level of uniformity in the treatment of poor children throughout the Nation. The tragic results of poverty do not differ from State to State and neither should the efforts to prevent them.

And, I thank you.

[The prepared statement follows:]

STATEMENT OF EVELYN PEEL, RESEARCH ANALYST, ARKANSAS ADVOCATES FOR CHILDREN AND FAMILIES

Mr. Chairman and Members of the Committee: I am Evelyn Peel, Research Analyst with Arkansas Advocates for Children and Families. We are a private, nonprofit agency that is concerned with all issues that affect children. Almost one out of four children in our State lives in poverty and they represent the largest single poverty group in the State. We are, therefore, vitally interested in the Aid for Families with Dependent Children program (AFDC), the only public income maintenance program aimed specifically at children and their families.

October 1981 marks an unfortunate turning point in the program's history. Children and their families, already needy, were further disadvantaged. The federally mandated restrictions imposed at that time were reinforced by a state policy that drastically reduced the size of the monthly AFDC payment. By February 1, 1982, combined Federal and State measures dropped an estimated 4,000 families from AFDC rolls (an estimated 8,325 children and 3,175 adults). An additional 29,300 AFDC families had their benefits reduced.

By the second half of 1983, about 25 percent fewer families received AFDC benefits each month than in the first half of 1981, shortly before the restrictive regulations went into effect, (22,160 compared to 29,775). The average monthly number of AFDC children declined about 30 percent over the period (43,740 compared to 61,240). Aggregate monthly AFDC payments dropped 40 percent ($2.9 million compared to $4.8 million) and expenditures per family, approximately 20 percent ($131 compared to $161). The relative number of children represented in the AFDC population declined from an average of 72.3 percent in the first six months of 1981 to 69.9 percent in the last half of 1983.

I first want to discuss the work disincentives the federal government has introducted into the AFDC program since 1981, all of which H.R. 4327 addresses. I then will list some of the AFDC program's failings that arise primarily from Arkansas' own policies and suggest for consideration measures the federal government might adopt to help overcome them.

WORK DISINCENTIVES

A well-designed welfare program assures that it is always financially more advantageous for recipients to work than not to work. The AFDC program once contained such an assurance. This is no longer the case. At the end of fiscal year 1979, 16.2 percent of Arkansas' AFDC families had some earned income. Now only about 3 percent of the AFDC families have earned income. The sharp decline, due to economic circumstances and federal regulations, virtually assures the poor in Arkansas that if they work they will be ineligible for AFDC assistance.

150 percent gross income test

By automatically eliminating from consideration for AFDC assistance any family whose gross income is more than 150 percent of the state's Standard of Need, the 150 percent test serves as a major tool for denying the working poor access to the AFDC program. Because of Arkansas' low monetary Standard of Need (Appendix Table 1), the test hits the poor in Arkansas harder than the poor in states with higher needs standards. It does not take much earnings at the minimum wage rate to exclude a family from AFDC in our state. A gross annual income as low as $4,215

for a mother and two children disqualifies the family, regardless of the amount of earnings that must go to pay child care and other work-related expenses. A mother working 40 hours a week every week of the year at the minimum wage rate would need five or more children in order for the family to pass the first eligibility hurdle, i.e. the 150 percent income test.

Removal of the working poor from the AFDC rolls eliminates them from the program's statistics, but it does not eliminate the problems of poverty for the families affected. Their situation is worsened. Their gross income may be 50 percent higher than the Standard of Need but because of mandatory work-related deductions such as OASDI, the disposable income available for their daily living expenses does not necessarily exceed the needs standard by the same percentage. Some families who no longer have AFDC grants to supplement their earnings may receive more food stamps than previously but the stamps, limited to food purchases, lack the flexibility of the cash grant and cannot buy other necessities, such as shoe repair and toilet articles.

An equally important loss to the families is the loss of automatic entitlement to Medicaid benefits. Their chief hope for medical benefits when not on AFDC is to become eligible for Medicaid's Medically Needy "Spend-Down" component by incurring medical bills sufficiently large to reduce their income to the Medically Needy Income Limit. Because the eligibility period of the Spend-Down component is episodic and temporary, it is difficult, if not impossible, for children of these families to participate meaningfully in Medicaid's EPSDT, the preventive program intended to detect and treat problems before they develop into serious conditions. As child advocates, we, of course, have a very special interest in a viable EPSDT program that reaches as many of the poor children as possible.

Work incentive time limitation

The time-limit placed on the work incentive in 1981 can seriously discourage recipients from seeking employment. The working mother cannot come out ahead of her non-working counterpart after four months, when the AFDC grant is reduced one dollar for each dollar of earnings in excess of allowed day care and work-related expenses. Her earnings in excess of these allowed deductions, in effect, are taxed at a 100 percent rate.

Appendix Table 2 compares the income status of two Arkansas AFDC families each consisting of a mother and two children. One mother works about 75 hours a month, earns $250 a month, and places both children in day care. The mother in the other family does not work. The family with the non-working mother receives $164 a month, the maximum grant for a three-person family. The working mother has a disposable income of $230.20 in the first four months of work and then has only $163.20, or 80 cents less than the non-working woman because of "rounding down" of payments. If she does not actually receive an advance Earned Income Credit, her cash position is worse than indicated, both during and after the first four months of work.

The fact that the work incentive cannot be restored until the family has been off AFDC for 12 months is another deterrent to working. If a family becomes ineligible for AFDC after the four-month work period but must return to the program because the wage earner subsequently loses her job, there is little incentive to find another job because the work incentive cannot be allowed.

Other work disincentives

The current practice of setting a maximum on deductions for work-related expenses instead of the former practice that permitted working AFDC mothers to itemize and deduct actual expenses (including federal income and Social Security taxes) is another step that tends to discourage work. Arkansas' monthly maximum for part-time workers is $40. The mother who works part-time and earns $250 a month just misses having federal income taxes withheld. About $16.75 (6.7 percent), however, would be deducted monthly for Social Security, leaving her about $23 out of the $40 work-expense allowance to cover transportation and all other work expenses she encounters during the month.

Inclusion of the Earned Income Credit as part of the workers monthly gross earnings for purposes of calculating the AFDC grant even if the worker does not receive advance EIC's tends also to discourage work. Assuming the Earned Income Credit even if it is not available lowers the family's benefit or, more importantly, helps to make the family ineligible for any AFDC payments. The type of jobs the AFDC population holds and the short-term nature of many of the jobs make it unlikely that many of the workers actually receive advance Earned Income Credits. The persons who, indeed, receive advance credits may have to pay back overpayments to the IRS if at the end of the year the advances prove to be larger than allowable. Repay-

ments of any type impose a severe burden on low-income persons who have no reserves with which to meet the unexpected.

The deeming of the monthly EIC advance may not be as important in Arkansas as in some other states. Relatively few families on AFDC earn income. For those who do, the deemed EIC is not very large—otherwise they would not still be eligible for AFDC. Yet, we feel there is a principle involved. It is wrong to assume income for people at the bottom of the economic ladder.

Finally, the impact of the two-month retrospective payment system discourages the seeking of short-term employment. Because benefits that recipients receive in any given month are based on income two months earlier, short-term employment results in no benefits or at least reduced benefits in the very month earnings are no longer available.

ARKANSAS AFDC POLICIES

I now will review several of Arkansas' AFDC policies which are detrimental to the poorest children and families in the state. We think you can help.

Standard of need

The composition and the prices of the Standard of Need currently used in Arkansas date from 1976. It is a bare-bone budget. The mother with eight children apparently is not expected to pay more than the mother with one child for over the counter drugs (they are not covered by Medicaid), school supplies, toiletries and laundry supplies, transportation and other similar items. (Appendix Table 1 lists the Standard of Need for different size families).

In the absence of a federal requirement to do so, Arkansas has never adjusted the Standard of Need for the inflation that has occurred since 1976. Consequently, the relationship between the Standard of Need and the poverty threshold has deteriorated. Depending upon the family size, the Standard of Need was equivalent to approximately 40 to 60 percent of the 1976 poverty index; it covered only between 24 and 35 percent of the 1983 poverty index. The maximum AFDC grants combined with food stamps, at best, bring the income of the recipients up to the half-way mark of the poverty ladder.

AFDC payments

Despite the meagerness of the Standard of Need, Arkansas does not pay AFDC recipients 100 percent of the Standard indicated for the families of different sizes. Payments initially were 69 percent of the Standard of Need, were reduced to 52 percent in October 1981, raised to 60 percent in March 1982, and in January of this year went to 70 percent, or one percentage point above the pre-October 1981 level. Translated into dollars for a mother with three children, the maximum monthly grant in the respective periods was $188, $142, $164, and $191. For three and four person AFDC families the current benefit tops the pre-October 1981 benefit by $3 a month, or about 75 cents a week.

For most of the last two and a quarter years the AFDC grant could purchase just slightly more than half of what it could in 1976 due to inflation and the lower payment percentage. For a few months its purchasing power was even lower. Although the dollar amount of today's benefit is higher than ever before, the present maximum benefit of $191 for a family of four has no more purchasing power than did $115 back in 1976 (Appendix Table 3). The four-person AFDC grant would have to be raised to over $300 a month to achieve the purchasing power of the pre-October 1981 benefit of $188—still an unrealistic amount for a family of four to live on without serious consequences.

In summary, the budget on which AFDC grants are based is inadequate; the AFDC grants do not even meet the meager budget requirements; and inflation, sometimes accompanied by state policy, has gnawed away at the purchasing power of the grant.

Unexercised options

Arkansas has failed to adopt several very essential AFDC options offered by the federal government. The state elects to distinguish between poor children in single parent families and equally poor children in two-parent families. We only help two-parent families when a parent is disabled. Our policy forces two-parent families to choose between remaining an intact family with the resultant financial hardship or having one of the parents desert—for real or fraudulently. Poverty itself often makes for fragile family relationships. Our state's AFDC policy toward two-parent poor families adds to the instability of the relationship.

Despite the growing evidence of the importance and cost-effectiveness of prenatal care, Arkansas does not now, and did not under the pre-October 1981 more liberal provision, exercise the option to provide AFDC to women who are pregnant for the first time; neither do we provide them with Medicaid, which we could do as soon as the pregnancy was medically verified.

Because of their date of birth, students in all walks of life often do not graduate high school until they are almost 19; yet, Arkansas does not opt to provide AFDC to full-time students between ages 18 and 19. When denial of AFDC to these students prevents them from finishing high school, we build an economic and psychological roadblock that can be with them the rest of their lives.

RECOMMENDATIONS

The first group of recommendations derive from the fact that federal AFDC policies over the past few years seem to ignore the fact that the bottom line for the poor is actual disposal cash income and not gross income, nor future refunds, nor deemed income. The recommendations also are based on the fact that the policies undercut the work ethic. Arkansas Advocates for Children and Families makes the following recommendations:

Repeal the 150 percent gross income test. Because of Arkansas' low Standard of Need, the test virtually disqualifies from the AFDC program any mother who wants to work in order to supplement the low AFDC grant Arkansas pays.

Repeal the four-month time-limit on the work incentive so that after four months the AFDC grant will no longer be reduced a dollar for each dollar earned in excess of allowable deductions. Probably few of us would be willing to work after we reached a 100 percent tax bracket.

H.R. 4327 apparently proposes a more generous work-incentive formula than the present one, for which we are happy. We wonder, however, if the mechanics can be simplified somewhat to avoid errors by those who must compute the monthly benefits.

Discontinue the deeming of the Earned Income Credit as countable income.

Restore the practice of itemizing work expenses and of including as a work expense mandatory expenses such as OASDI taxes.

The second group of recommendations for federal action derive, to a large extent, from adverse Arkansas AFDC policies.

The federal government should mandate periodic adjustments in the level of AFDC payments to reflect price changes, just as it does for SSI and OASDI income programs. The adjustment may be based on the cost of living, the median income of each state, or some other indicator. States in which the payment standard and the need standard are not the same should be prohibited from lowering the relationship between the two as a means of offsetting the price adjustment.

The federal government should mandate coverage under Medicaid of first time pregnant women as soon as pregnancy is verified medically and should at least make optional AFDC coverage at that stage.

The Medicaid program should be adjusted to reflect the consequence of the AFDC measures Congress adopts. Adjusting the level of the so-called Medicaid "cap" or "target" might be an example if the AFDC population grows due to the measures.

Congress should consider federalizing the AFDC program, just as it did some years ago with the Old-Age Assistance, Aid to the Permanently and Totally Disabled, and Aid to the Blind programs which were combined into SSI. Arkansas' AFDC program already was inadequate prior to 1981 and the inadequacy was due primarily to state policy. Federalizing the program would provide at least a minimal level of uniformity in the treatment of poor children throughout the nation. The tragic results of poverty do not differ from state to state and neither should the efforts to prevent them.

TABLE 1.—MONTHLY STANDARD OF NEED

	Standard of need	15 percent of standard of need
Family size:		
1	$97	$146
2	193	290
3	234	351
4	273	410

TABLE 1.—MONTHLY STANDARD OF NEED—Continued

	Standard of need	15 percent of standard of need
5	310	465
6	345	518
7	378	567
8	409	614
9 or more	440	660

TABLE 2.—*Comparison of income status of three-person AFDC families with and without working mother, January 1984*

Standard of need = $234.
Payment standard = $164 (70% of standard of need).
150% gross income test—$351.
Monthly earning—$250 (about 75 hours at minimum wage rate).

	Mother does not work	Mother works	
		First 4 months	Later
Gross earned income	0	$250.00	$250.00
Earned income credit [1]	0	25.20	25.20
Total		$275.20	$275.20
Less work expenses [2]	0	−40.00	−40.00
Total		235.20	235.20
Less day care [3]	0	−100.00	−100.00
Net earnings		135.20	135.20
Less work incentive [4]—1/3 of net earnings plus $30	0	−66.67	0
Countable income		68.53	135.20
AFDC grant (70% of standard of need)	$164.00	[5] 95.00	[5] 28.00
Disposable income:			
Net earnings	0	135.20	135.20
AFDC Grant	164.00	95.00	28.00
Total	$164.00	$230.20	$163.20

[1] The worker is assumed to receive this credit, whether or not she has.
[2] Work expenses can no longer be itemized. Arkansas set the maximum deduction for work-related expenses for part-time employment (30 hours or less weekly) at $40. The federal government set the full-time rate at $75 and allows states to set the part-time rate at an amount below $75.
[3] Federal government allows day care expenditures up to $80 per child per month for part-time employment and up to $160 per child for full-time employment. The example assumes $50 per child.
[4] The amount of monthly earnings recipients are permitted to keep without any reduction in their AFDC benefit payment.
[5] Now benefits are rounded down to the nearest dollar.

TABLE 3.—MONTHLY AFDC PAYMENTS

	1976 payments	1984 payments	
		1984 dollars	1976 dollars [1]
Family size:			
1	$68.00	$68.00	$34.80
2	133.00	135.00	81.00
3	161.00	164.00	98.40
4	188.00	191.00	114.60

TABLE 3.—MONTHLY AFDC PAYMENTS—Continued

	1976 payments	1984 payments	
		1984 dollars	1976 dollars [1]
5	214.00	217.00	130.20
6	238.00	242.00	145.20
7	261.00	265.00	159.00
8	282.00	286.00	171.60
9	304.00	308.00	184.80

[1] 1984 grant level adjusted by 1983 cost-of-living index.

Chairman FORD. Thank you, Ms. Peel. Ms. McDaniel from Les Passees.

STATEMENT OF GLORIA McDANIEL, ADMINISTRATOR, LES PASSEES REHABILITATION CENTER

Ms. MCDANIEL. I think this gentleman was here before me.

Chairman FORD. Yes, but we are going to go in the order——

Ms. MCDANIEL. I would first like to thank the committee for allowing me to comment. We appreciate the opportunity——

Chairman FORD. Pull the microphone closer in front of you, Ms. McDaniel.

Ms. MCDANIEL. Is that all right?

Chairman FORD. Yes.

Ms. MCDANIEL. Many forget that AFDC mothers who have handicapped children are affected by cuts in public assistance and emergency food and shelter, and we appreciate the fact the Congressman has not been insensitive, but has alerted us and has been sensitive to our needs.

I am Gloria McDaniel, administrator, Les Passees Rehabilitation Center, a private nonprofit, medical diagnostic, evaluation, and comprehensive treatment center for young handicapped or developmentally disabled young children 0 to 4 years of age.

The center is located in Memphis, and serves as a regional center for an 88-county area, including south Missouri, south Kentucky, eastern Arkansas, north Mississippi, north Alabama, and west Tennessee. It is the only comprehensive outpatient treatment center in the midsouth and the largest in Tennessee.

Approximately 400 exceptional children are served annually within the center, with another 500 served by contract services in the rural areas of Mississippi, Arkansas, and Tennessee.

More than 52 percent of the in-house patients are medicaid eligible, so that any cuts in public assistance will affect some of our patient load in two ways: One, of course, in income; and the other, and very important to these children, in medicaid.

In Tennessee, two-thirds of those receiving AFDC are children, an average per person payment in Tennessee of $43 a month. Through medicaid, preventive health care and specialized services for those who are diagnosed as handicapped are available and very essential. Any cuts will impact significantly on these children, on their future, and on society.

At present, another 11 percent of our patient load has no third party funding, and, by the way, this has increased 83 percent in

the last 2 years. Private dollars are being used to subsidize this group and provide treatment. If there are cuts in public assistance with concomitant medicaid eligibility reduction, then an increased number of patients will have no third party funding and there are simply not enough private funds available to pick up these additional costs,

Undiagnosed and untreated young handicapped patients can quickly become a major burden to parents, institutions, and schools; whereas early diagnosis and treatment is now documented by research, including Labor Department statistics, as being cost effective.

With the Baby Doe decision to treat handicapped infants, Government and private agencies must be prepared to allocate adequate resources for appropriate services as needed to child and family.

Secretary Will stated before a House Subcommittee on Select Education in July of 1983, "Early intervention can actually reduce the number of children needing special services, save millions of dollars, and even save families."

We urge you to inform your colleagues in Congress of the disastrous results of cuts in public assistance and medicaid, emergency food and shelter programs, and any programs which impact on the availability of preventive health care and early treatment for the very young handicapped child and their families.

Thank you.

[The prepared statement follows:]

STATEMENT OF GLORIA MCDANIEL, ADMINISTRATOR, LES PASSEES REHABILITATION CENTER, MEMPHIS, TENN.

I an Gloria McDaniel, Administrator, Les Passees Rehabilitation Center, a private non-profit, out-patient, medical diagnostic, evaluation and comprehensive treatment center for young handicapped or developmentally disabled children zero to four years of age. The center is located in Memphis and serves an eighty-eight county area including south Missouri, South Kentucky, Eastern Arkansas, North Mississippi, North Alabama, and West Tennessee as the only comprehensive out-patient treatment center in the Midsouth and the largest in Tennessee.

Approximately 400 exceptional children are served annually in the center with another 500 served by contract services in the rural areas of Mississippi, Arkansas, and Tennessee.

More than 52% of the in-house patients are medicaid eligible so that any cuts in public assistance will affect our patient load in two ways, one in income, the other, and very important to these children, in medicaid.

In Tennessee two-thirds of those receiving AFDC are children an average per person payment in Tennessee of $43 per month. Through medicaid preventive health care and specialized services for those who are diagnosed as handicapped are available and are essential. Any cuts will impact significantly on these children, on their future, and on society.

At present 11% of our patient load has no third party funding and private dollars are being used to subsidize this group, and provide treatment. If there are cuts in pubic assistance with concomitant medicaid eligibility reduction, then an increasing number of patients will have no third party funding and there are simply not enough private funds available to pick up these additional costs.

Undiagnosed and untreated young handicapped patients can quickly become a major burden to parents, institutions, and schools, whereas early diagnosis and treatment is now documented by research including labor department statistics as cost effective.

With the Baby Doe decision to treat handicapped infants, government and private agency must be prepared to allocate adequate resources for appropriate services as needed to child and family. Secretary Will stated before a House Subcommittee on

Select Ed, July 14, 1983 "early intervention can actually reduce the number of children needing special services, save millions of dollars, and even some families".

We urge you to inform your colleagues in congress of the disastrous results of cuts in public assistance and medicaid, emergency food/shelter programs and any programs which impact on the availability of prevention health care and early treatment for very young handicapped children and their families.

ADDENDUM

We are concerned that those making the decision about AFDC and medicaid services do not understand the cost effectiveness of preventive health care and treatment for young handicapped children. We would like them to know that investing in diagnosis, evaluation and early treatment in these infants during the first three years of life can reduce or eliminate the need for expensive surgery, bracing, long-term medical care, institutionalization, possible family breakdown and child abuse.

Within the last ten years the center has discharged over 700 children as having normal motor milestones. Other more severely handicapped children have made minimal gains, but we have helped the families learn to care for the child, designed equipment to feed, bathe and transport the child, and put the family in touch with community services for support. In most cases this negates the need for long-term extensive institutional care.

We ask that you who will make the decisions on AFDC and medicaid recognize the unique problems of young handicapped children (zero through 3 years old) and their families in these programs, all of which impact on services in the mid-south area which are already strained because of the inequity among states and the reduction in AFDC cases. Private funding simply cannot continue to underwrite the increasing costs of treatment for young handicapped children.

We need to know what kind of information you need to help us continue services in the mid-south to the young handicapped child and his family.

Quoting from the Rand study which was commissioned by the U.S. Department of HEW in 1972 "early and correct identification of potentially handicapping conditions is perhaps the single most important and underrated service in the array of potential prevention strategies."

We want to work with you to make a case for all young handicapped children and especially for continuing those services in the Midsouth area.

LES PASSEES REHABILITATION CENTER

PURPOSE AND ELIGIBILITY

Services provided by the Center include diagnosis, evaluation, and treatment of children with all types of neuromotor or developmental disorders, including cerebral palsy and birth defects. All who might benefit from the services are eligible. Referrals are accepted from physicians and medical agencies. Helping each handicapped child to develop to his fullest potential is the goal of treatment. The Center is affiliated with the University of Tennessee Center for the Health Sciences. Administrative policy is set by the Board of Directors. Direct supervision of the patient's therapy program is provided by the Medical Director, a physiatrist, and by the Clinical Services Director, a pediatrician.

SCREENING

The patient is initially evaluated by the Clinical Services Director, the therapists, and the teacher when appropriate. A comprehenisve social history is taken by the medical social worker who also acquaints the parents with the operation and services of the Center. The Medical Evaluation and Treatment Committee, composed of members representing the evaluation team, meets monthly to determine the appropriate program for each child. The social worker then informs the parents and the referring physician or agency of the committee's recommendations, and treatment is scheduled. If admission is not recommeded, an alternate course is suggested to the parents.

SERVICES

Center-based Treatment consists of individual physical, occupational, speech and oral therapy, and education, and parents are instructed in a treatment program to be carried out daily at home. Each child is reevaluated periodically to determine progress and/or recommendation.

Home-based Treatment is available since Les Passees is also licensed as a Home Health Agency and provides physical, occupational and oral therapy and social work to children who have been evaluated at Les Passees and found to be best served in their home.

The Parent Education Program, funded in part by the Tennessee Department of Mental Health/Mental Retardation is a weekly course in which small groups of parents are provided instruction in treatment and assistance in understanding, accepting and coping with their children's handicap.

A Daily Activities Program, funded in part by the Tennessee Department of Human Services through the Community Day Care Association, is provided for forty-two children from six months to four years of age. The children come daily to receive therapy and an individualized education program. The Les Passess Club furnishes two volunteers daily to assist the Staff.

For children who receive therapy only, a structured program is provided in addition to whatever treatment is prescribed.

The Contract Services Program provides trained therapists to agencies and individuals in the Mid-South. Therapists specializing in pediatric developmental treatment are available for evaluation, treatment, consultation and in-service training.

Regular medical clinics are held in Physiatry, Pediatrics, Neurology, Ophthalmology, and Dentistry. Patients are scheduled as indicated by their individual needs. Additional specialty consultations are readily available through the University of Tennessee Center for the Health Sciences and physicians in the community.

Social Services are provided to families by the social work staff to assist them in adjusting to the psychosocial, emotional, finanical and physical stresses often associated with having a handicapped child.

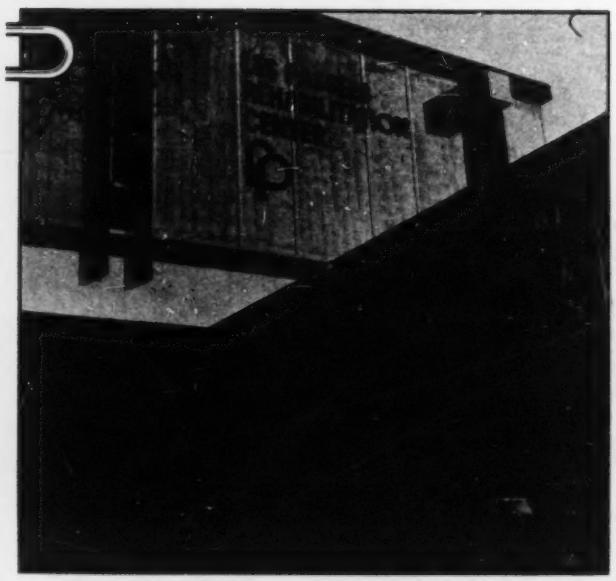
Station wagons and vans help to solve the transportation problem for those children whose parents cannot provide transportation and who live within a limited radius of the Center.

The Center provides training for University of Tennessee medical, nursing, social work, and physical therapy sutdents, for nursing students from private hospitals, and for graduate students from colleges and universities.

SUPPORT

Les Passees Rehabilitation Center was established in 1950 by Les Passees, Inc., a social and philanthropic women's club. The Les Passees Club, United Way, Tennessee Department of Human Services and the Tennessee Department of Mental Health/Mental Retardation, plus fees, donations, and memorials, provide the funds for operating expenses.

Diagnosis: Neuromotor disorders and developmental delay in children.



Treatment Plan: Les Passees Rehabilitation Center.

49 North Dunlap

Memphis, TN 38103

(901) 529-0233

Diagnosis: Need for comprehensive therapy.

Treatment Plan: Les Passees offers a wide range of services for children with central nervous system disorders, including cerebral palsy and birth

defects. From evaluation through diagnosis and treatment, all aspects of the child's medical, educational and psychosocial needs are taken into consideration. Full range of therapeutic modalities includes Physical Therapy, Occupational Therapy, Speech Therapy and Pre-School Special Education.

Diagnosis: Need for professional staff.

Treatment Plan: Les Passees has a full staff of therapists and teachers to deal with the range of the child's needs. Staff includes Physicians, Physical Therapists, Occupational Therapists, Speech Therapists, Special Education Teachers, Social Workers and professionally-trained Therapy and Teacher Aides. A variety of medical consultants are available to the staff physicians when the need is indicated.

Diagnosis: Need for rehabilitation center for infants and pre-school children requiring therapy.

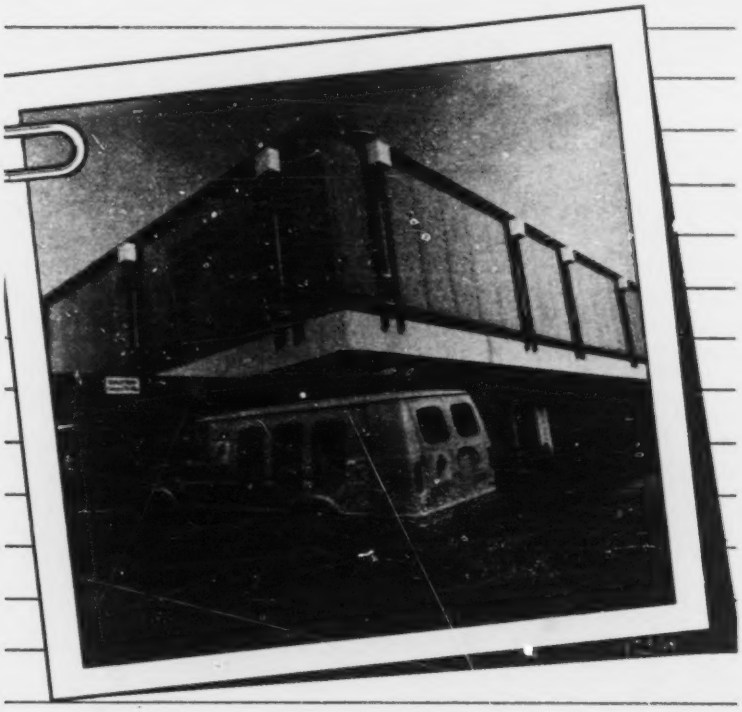
Treatment Plan: Les Passees treats children ranging from infancy to 4 years of age.

Diagnosis: Need for a facility that treats children of all economic means.

Treatment Plan: Les Passees treats all children whether their funding is private or public.

Diagnosis: Need for transportation.

Treatment Plan: Les Passees provides transportation for many children. Two specially-designed vans and several station wagons are available for transporting the children.



Chairman FORD. Thank you, Ms. McDaniel. Mr. Wooten.

STATEMENT OF JAMES WOOTEN, MEMPHIS, TN

Mr. WOOTEN. Thank you, your Honor, Congressman Ford, for allowing me this privilege. I was not officially listed, I know that, but I talked to one of the aides this morning and he asked me if I would like to testify, and I am happy to have this opportunity.

I come this morning with a heavy heart. I have seen the needy. I have been employed when I was a well man, and now I am not because I have been diagnosed as having a heart condition, coupled with a type of arthritis that could possibly become cripping, osteoarthritis, I believe.

They tell me that an overflowing heart leaves the lips speechless and so it is with me today. If I were a man in Congress who by the grace of God, was gifted with a most unusual oratorical ability, such as you, I would have words to adequately express just how I feel, but I am not that man.

I believe you mentioned the year of 1981 when you began to chair this committee. There is a saying here that my big sister and I—her name is Ernestine Wooten Bell—with whom I live at 523 Edith, that year at Christmas, we were watching the national news on television, and as you said, the axe was about to fall on so many social programs,

I saw the needy all over the country and they were pleading and begging, some praying, that the program would not be cut, some people taking food around to them, and the only one meal that they would receive was going to be cut.

As long as people are hungry and without shelter, and justice is being allowed to sleep and God's will is not being done, I looked at my big sister that Christmas with tears in my eyes, and I was crying unashamedly, and I said, as in the words of the Prophet Jeremiah, I weep not for myself, but for them.

And, so it is here today, I weep not for myself, but for those who need it, without food and shelter, and this is not ostentatious play. But, this is Christ revealing, he has allowed me to live two lives in one lifetime, one life of drunkenness, failure and defeat, another life of sobriety and peace of mind and decency, as I live today, and try to do God's will.

I am not a minister. I am just a living witness and walking example of what God can do if we allow him, and, Congressman, that morning about 2, something got me out of bed, that Christmas night. I do not know what it was, but I had to start writing, and I started like this, if I may, "To whom it may concern."

I said, after having watched the national news on Christmas morning, I was saddened and almost put in a state of depression, as is our economy. I saw the economic status of the elderly, most of these people being denied the basic needs of survival.

As never before, I realized the true meaning of Christmas, not in a commercial sense, but in a real reason for Christ's coming, to save souls and administer to the needy.

As a result, I was inspired to write this poem to Mr. Ronald Reagan, President of the United States. I said, "Mr. Ronald Reagan, President of the United States," and, if I may remind you

of the bottom line, when we pledge allegiance to the flag, "with liberty and justice for all," and a little history, if I may. New York Harbor at one time was referred to as Bedford Bay.

I understand when France gave to America about the year of 1886, Ms. Liberty, she paid some $200,000 for Ms. Liberty, and America stood her on a pedestal. That she paid some $250,000, history reports there was a lot of fanfare and bands playing, and I give you this as to why I mentioned some of the things in the poem that I have.

It goes something like this. It says:

We pledged allegiance to the flag one day,
The bottom line was the American way,
Ms. Liberty now stands in Bedford Bay,
Please tell us she stands for all in the U.S. of A.
We made this pledge, young and old,
We believed it to our soul,
Till one day I had grown old,
And found myself out in the cold.
They say it is due to Reaganomics.
Now all I have is my old pajamas.
Now there is a hope in this land,
If misjustice is not allowed to take her stand.
No need for a pedestal or a big band,
Just let her spread throughout the land.
Misjustice too was on the bottom line.
Ms. Liberty stood but misjustice was left lying.
Now Mr. Reagan, take this plea in your hand,
And let misjustice take her stand.

Respectfully yours,

JAMES WENDELL WOOTEN.

P.S. I love you and God bless you. I trust by the grace of God that you and yours will overcome any pitfalls that might loom to make one unhappy.

That morning, ladies and gentlemen, I listened with a sympathetic ear. Now, in my condition, and, Congressman, since I have been going to the building across the street, the Social Security disability, and I am not too familiar with the place, but I have been there several times, I can now listen with an empathetic ear. I know what they are going through.

You see, if you walk over hot coals with someone who has been there, you know what it feels like. But, the bad part about it, when you go there with your condition, the bureaucrats, the insensitivity to the needs of the needy, the very fact that this administration, Congressmen, it is a crime, it is a shame, it is a criminal disgrace the way the needy, the legitimate needy are being denied the aid that would help them with their basic needs for survival.

I see it, Congressman, I am not a lying man. I live on Edith, 523, and you remember, you came into my home, if you have not forgotten. You remember. One of my brothers passed in 1980, and he was the assistant superintendent of the recreation department of the city of Memphis.

Chairman FORD. Mr. Wooten, I remember it very well. I was at the funeral service.

Mr. WOOTEN. Yes, sir, you were.

Chairman FORD. Well, thank you very much for your testimony, Mr. Wooten.

Chairman FORD. I would like to go back at this time to Ms. Peel.

You know, I was looking here at the standard of need and the standard of need in Arkansas is $234 for a family of three.

I notice that you make mention of the—well, we make mention of the infant mortality rate, I think, 11.7 percent of every 1,000 births within the first year. I also note that for a family of three, the AFDC payments, the $140 monthly in the State of Arkansas.

Going over this list of recommendations, Ms. Peel, that you had made testimony before the subcommittee this morning, I must say that there are some of the items that you have made mention of here that we worked on from the subcommittee level, and the full committee, as of last week.

Rather than going over and highlighting all of the areas that we have already passed out of the Ways and Committee to the full House, it would be difficult for me to try to mislead the audience today that we are going to pass all of those provisions on the House floor.

And, the ones that we are going to accomplish with the Senate conferees, and I would hate for this audience to think today that this legislation has already been passed—so, therefore, I will not highlight on the areas which we worked on, and reported out of the Ways and Means Committee last week.

But, we are, in fact, very much aware of the recommendations that you have made here.

As the chairperson of this committee, and I join with my colleagues that are here, Mr. Stark and Mr. Fowler, to say not only to Arkansas, but to all of the States in this region, that we are, in fact, aware of many of the problems that now exist, and, I know that you know, that you and other groups and organizations will also send this same message to your State legislature, because Tennessee has waited 15 years to respond to the standard of need.

I think you made mention of changes that were made in 1976 that raised the standard of need in the State of Arkansas and I know that you have also made mention that we are only talking about, you know, the dollar amount in 1976 is only worth 52 percent of what it was worth in 1976, or that disposable income that that person received.

Hopefully we can bring about and implement some of these changes from the Federal perspective, but I certainly would hope that groups and organizations like yours would also champion these same issues in the State of Arkansas and other States where we know that these standards of need are much too low, and they are affecting the poorest of the poor in this country.

Ms. PEEL. Thank you.

We have sent a copy of the testimony to Bill Clinton, the Governor, and we have sent it to a few of the legislators that we know are sympathetic, and the Arkansas Gazette, which is the leading newspaper in Arkansas.

Chairman FORD. We did send an invitation to your Governor to appear and testify before the committee today. I think he had a

conflict in his schedule, and he was not able to make the session. But we did invite him today.

Mr. Stark.

Mr. STARK. I am sorry I missed the beginning of your testimony, Ms. Peel, but you talked about the earned income tax credit, and I believe what your testimony said was, in effect, these people do not—put it on a cash basis, if they do not collect the credit in the beginning. Why go through a lot of complicated bookkeeping to assume that they might collect it?

Ms. PEEL. Even though they had, if they actually had in computing the benefits.

Mr. STARK. We are putting them on an accrual basis which is something we do only to the most sophisticated corporate accountants, rather than just basically on a cash basis.

It is a matter of the difference to the Federal Government. If we give the people the earned income tax credit, it is, in fact, giving the money and they will take it. If they would rather take some assistance from a needs tested program, like the AFDC, it is fine with me. It is the same dollar one way or the other.

Ms. PEEL. I think this is because the employers do not want to give it, you know, they may not make—and the end result——

Mr. STARK. You are referring there to the employers who may not also be withholding Social Security and they are casual employees?

Ms. PEEL. The labor is casual and, also, I do not know the details, but they apparently take it off. It may be a deduction like for withholding tax, and you do not tax supplemental income, and you do not take OASDI on it. So, there must be some kind of burden, and someone told me that they heard that large and small businessmen do not hire people who are going to bother you with it. Maybe they did not use those words——

Mr. STARK. No. I am sure.

Ms. PEEL. So, it is made out to the Federal Government. Also, we are publicizing the existence of this tax, to earn it, to low-income people, who are not on AFDC, and if I were on AFDC, I would not ask for an advance, unless I had a steady job and was at a level——

Mr. STARK. We find that so many people are parttime workers or they work seasonal work so that they will never earn enough money in a year to really have any income tax liability.

Ms. PEEL. The earned income tax, they may be able to get it advanced and thinking they will make more money and will be advanced, as the AFDC people will consider it as that, but even the adjustments, if the situation had arrived where they had a yearend adjustment, the AFDC forfeit, will have to pay back, because they have got too much of earned income.

It sort of goes down as you make more money and all of that. So, it is just not the way it affects the Federal Government, but the reality is, if they really get it, if it is cash in hand, fine. If it isn't——

Mr. STARK. I think that you make an excellent point. I think we have presumed that people who are poor somehow have the same level of sophistication as to how to monkey around with the tax code that we ascribe to lawyers and economists, and somehow if

they had that training, it does not seem they would be having trouble with the job market.

I just do not think that that exists. I think that—the poor people are trying to do the best they can, but I do not think they are trying to beat the Internal Revenue Service out of income tax.

Ms. PEEL. That is correct. I think we ought to reduce by what you owe the Government, or if you do not owe them anything——

So, I do not mean to be against the earned income credit, it is just assuming that——

Mr. STARK. Thank you.

Chairman FORD. Mr. Fowler.

Mr. FOWLER. Mr. Chairman, I appreciate your cautionary note about your bill and the improvements that we were trying to make in it. It has not passed, and we certainly need the help of those who agree with us that the reforms within the chairman's bill are necessary.

But, I would like to put in the record, Ms. Peel, the changes that would be brought in your example, the Table 2 in your appendix.

I have asked Mr. Jensen, our counsel, to sort of quickly go through it. To show the difference if we are able to pass the four proposals. I think it is so long overdue. I just want you to go through it.

Mr. PEEL. Do you need a copy to work it out?

Mr. FOWLER. Yes, I have already had him work it out.

Mr. JENSEN. Well, there is three major items that would be changed

First of all, under the Ford proposal, it did not account for an income tax method. Second, for part-time workers, currently you have listed that you only get $40 work expense deduction.

What the Ford proposal would do would say that both the full- and the part-time workers, that you deduct the first $75 of earnings as compared to the part-timers in Arkansas, $40, and, then, finally, after the 4 months, where currently there is no further 30—one-third disregard, we would, under the Ford proposal, continue the $30.

So that the net effect is that instead of someone making $250 after the first 4 months, instead of being at $28 of AFDC, they would get $119.

Ms. PEEL. I am sorry? Instead of—during the first 4 months, they would get how much?

Mr. JENSEN. After the first 4 months.

Ms. PEEL. After.

Mr. JENSEN. They would get $119 instead of $28.

Ms. PEEL. OK. And, then if you add that to your net earnings of $135.

Mr. JENSEN. That is right. As part of your disposal income?

Ms. PEEL. Yes.

Mr. JENSEN. Yes.

Ms. PEEL. So, the disposable income——

Mr. JENSEN. Would be $119 plus $135.

Ms. PEEL. $255.

Mr. JENSEN. So, they would get $9 more. Now, if this individual had worked a little bit more than that, and would continue medic-

aid for another 9 months, along with an additional $25 of AFDC, $55 AFDC.

Chairman FORD. What about the State option?

Mr. JENSEN. There would be another 6 months at the State option where they could continue medicaid.

The concept here is a work transitional line, where people who start to make some earnings and under the current law, they fall off the cliff after 4 months, but with this, they would continue on medicaid.

Chairman FORD. Up to a period of 15 months with the State option.

Mr. JENSEN. That is right.

Mr. FOWLER. The point of this is an attempt to eliminate the penalty, as you pointed out, the 100 percent tax penalty, which is the most serious disincentive to anybody working.

Both would take care of that as well as continuing medicaid that would help those people. So, to anybody in the room, whether you have the figures in front of you or not, we need your help in your States in seeing that this passes.

Ms. PEEL. What did you say the earned income credit would be, would it not assume?

Mr. JENSEN. Not only not assume, but would not even be counted.

Ms. PEEL. Even if they got it, it goes back——

Mr. JENSEN. That is correct.

Mr. FOWLER. Thank you, Mr. Chairman.

Chairman FORD. And, Ms. McDaniel, that goes on to say that we will be picking up some of those families that have been cut off the Medicaid Program and I think the GAO report, as I brought it out earlier in my testimony, that we had lost some 493,000 families due to the 1981 cuts. But, if this legislation is passed, we will go back and pick up some of the 1 million folks that have been affected by the 493,000 families that have been removed from the medicaid roles, in which they would pick up their health care coverage.

I would like to thank the panel very much.

I would like to know whether the State and local welfare directors are here. Ms. Wheeler from Alabama, the director of the Mobile County Department of Pensions and Security; Mr. Leon Frazier, Montgomery, AL, commissioner, Alabama Department of Pensions and Security; Mr. Morris Priebatsch, Jackson, MS, director, Mississippi Division of Social Services; Ms. Barbara Bewley, director, Mississippi Division of Assistance Payments; and Sharon Perry, from Frankfort, KY, the division for management and development, Kentucky Department of Human Resources.

[Pause.]

Chairman FORD. I am trying—I know you were scheduled for this afternoon, and I am trying to see whether or not the panelists are here, and if they are, we will hear from them now.

There are some other witnesses who would like to testify, but we would note, we are going to make time provided for those who would like to testify. But, I am trying to see whether the third panel members are all here.

Let me see what the—those who are at the witness stand, if you would identify yourselves so I will know who is present.

Ms. WHEELER. Erin Wheeler.
Chairman FORD. Ms. Wheeler.
Mr. FRAZIER. Leon Frazier.
Chairman FORD. Mr. Frazier.
Ms. PERRY. Sharon Perry.
Chairman FORD. Then, the Mississippi witnesses are not here yet.
Let me go back to panel 2. Did Mr. Robert Bell of Jackson, MS, Children's Defense Fund arrive?
[No response.]
Chairman FORD. The committee would like to stand in recess for 2 minutes to confer with staff. Just 1 minute, please.
[Recess.]
Chairman FORD. The subcommittee will come to order.
I would like to know whether the Mississippi delegation has arrived yet. [No response.]
If not, we are going to proceed with the three witnesses that are here, and I would like to recognize at this time, Ms. Wheeler, the director, Mobile County Department of Pensions and Security; Mr. Leon Frazier, from Montgomery, AL, commissioner, Alabama Department of Pensions and Security; and Ms. Sharon Perry from Frankfort, KY, division for management and development, Kentucky Department of Human Resources, and the chairman will recognize you now.

STATEMENT OF ERIN WHEELER, DIRECTOR, MOBILE COUNTY (ALABAMA) DEPARTMENT OF PENSIONS AND SECURITY

Ms. WHEELER. Thank you, Mr. Chairman and members of the committee. I appreciate being invited to testify.
I speak to you today as a local public welfare administrator from the Department of Pensions and Security, the State welfare agency with an office in each of the 67 counties in Alabama.
The county office is responsible for social services and economic assistance programs, including aid to dependent children, State supplementation, and food stamps.
Until April 1983, we also administered the Commodity Distribution Program, and until October 1983, the Low Income Home Energy Assistance Program. We certify certain clients as eligible for medicaid.
I speak to you today as a local public welfare administrator with over 20 years experience. I have worked in many capacities and seen the needs of people from many perspectives. I know from my own experience that as a society, we have come a long way in the past 20 years in meeting human needs.
My first caseload of public assistance clients could not take advantage of medicaid or food stamps. They went to bed hungry and sick, and there was little or nothing I could do for them. Food stamps and medicaid have helped a lot, but the level of benefits for aid to dependent children families in Alabama has not changed substantially during this period.
Our ADC benefits are among the lowest in the Nation with 21,797 Mobile County recipients receiving an average of $39.55 in January 1984. We have never helped families with unemployment as the cause of need.

We have no general assistance program in Alabama.

I speak to you today as a local public welfare administrator from the second largest county in Alabama. The 1980 census counted 364,379 citizens. Mobile County is located on Mobile Bay and the gulf coast.

It contains the city of Mobile with a population of 200,452, and the city of Prichard with a population of 39,541. The minority population in the county is 32 percent; in the city of Mobile, 36 percent; and in the city of Prichard, 74 percent.

Mobile has two private colleges, a State university, and junior college, and is the site of one of the State's two medical schools.

Major industries include shipbuilding, chemicals, and paper. These and other industries have been hard hit by the recession. A study in May 1983 indicated that plant closings, layoffs, and other reductions in force had cost Mobile 6,000 jobs since 1980.

Unemployment in the Mobile-Baldwin County area was 15.4 percent in January 1984, as compared to 7.4 percent in January 1980.

We have seen our food stamp participation rise gradually from 15,214 households in January 1980 to 23,211 households in January 1984. We have not yet seen a reversal of this trend.

Food stamp participation has increased in spite of the eligibility and administrative changes required by legislation and regulation.

Our county humanitarian services committee, one of a statewide network initiated by Governor Wallace, identified our three most critical needs as employment, housing, and indigent medical care.

I speak to you today as a local public welfare administrator from a caring and responsive community.

Our county commission and city of Mobile commission have continuously over a period of many years allocated moneys to the Department of Pensions and Security to meet crisis needs of individuals and families.

Our United Way, which supports 45 agencies, has never failed to reach its goal since it was established in 1926. When a need is identified, community agencies, public and private, and volunteers, work together to meet it.

Penelope House, the first shelter in the State for battered women, was established through such efforts in 1979. The Service Center of Catholic Social Services combines the resources of 23 churches, including six denominations, at one location to serve the needy.

The Area Interfaith Disaster Services, Inc., is the recent recipient of a $150,000 grant from the Robert Wood Johnson Foundation for a volunteer care giver program.

Through the use of volunteers, it will provide respite care to care givers and services to frail and elderly individuals to help them remain in their own homes.

The Mobile County Department of Pensions and Security operates 2 of 17 projects statewide for the prevention of teenage pregnancy and child abuse, and we use volunteers.

We believe in voluntarism and private sector initiative in meeting human service needs. But, the entire United Way campaign pledges of $4,011,085 for 1984 would not provide the food stamps issued in our county in a 2-month period. We need the assistance of

the Federal Government, and we welcomed the appropriations of Public Law 98.8.

Our community's experience with the emergency food and shelter moneys has been positive. While our agency was not responsible for administering the funds, we worked closely with those agencies which did.

The original grant to the Mobile City-County area was $188,509 for the June–September 1983 period. It was awarded through the Mobile Area United Way and disbursed by a citizen committee as required by law.

The funds were used by the Bay Area Food Bank, the Dumas Wesley Community Center, Catholic Social Services, the Methodist Inner City Mission, and the Salvation Army to provide approximately 350,000 meals and 3,050 nights of emergency shelter.

The Mobile Community Action Agency also cooperated in the program and, with other funds made available through the same jobs bill, were able to assist some 400 households who were in danger of losing their homes because of inability to meet rent or mortgage payments.

The agencies, which were cooperative and mutually supportive, devised the plan and carried it out.

The winter of 1983–84 allocation for Mobile City-County was $147,411. The same agencies are participating, and have projected that 133,480 meals and 23,500 nights of shelter will have been provided by May 15, 1984.

The program is needed, and we believe it or something similar should continue. It would be improved by increasing the time between the notification of the funds and the submission of the plan; and by increasing the 2 percent allowable for administrative costs. While the involved agencies can and have risen to the occasion to provide the services and absorb the administrative costs, when it becomes a continuing program, this is more difficult.

The emergency shelter for homeless individuals and families provision of H.R. 4327, amending section 9, part A of title IV of the Social Security Act, addresses this need for 1 year with a different funding mechanism and a broader definition of shelter.

I support the provisions of the bill, but ask that the funding formula be based on population rather than ADC cases and SSI recipient count.

The proposed use of ADC cases would unfairly penalize States like ours with low benefit levels. The needs of battered women cross economic lines.

This legislation will help some shelters get started and provide assistance to those over burdened because of the problems created for individuals and families by current economic conditions. There is also, however, a continuing need for appropriations for emergency feeding for the needy.

I speak to you today as a local public welfare administrator who supports the concept of pilot and demonstration projects to integrate the delivery of services and improve the administration of programs.

The human service delivery system at the local level, as funded and regulated by the Federal Government, is fragmented. It is not well coordinated, and it is not cost effective.

I must admit I agree with one of my staff members who, in response to my request for comments on House bill 4326, said that in her opinion, the proposed pilot projects would entail a waste of tax dollars, and a potential minimum 3 to 5 years delay in reducing significant differences in program requirements and specifications, which cause unnecessary complications for both the State or local workers and the recipients.

She suggests that the head of Federal agencies responsible for human service programs should be directed to take an equivalent amount of time to achieve across-the-board conformity in application procedures, eligibility determination procedures, and treatment of earnings.

Clearly at the local level, we are both concerned and frustrated, concerned that the duplication of effort, the complicated regulations, and difference in program costs tax money which should be going to the clients, frustrated that this makes our jobs much more difficult and much more error prone, and it is near impossible for the general public to comprehend.

I speak to you today as a local public welfare administrator who supports the concept of improving the AFDC Program to make it more manageable, more effective, and better designed to serve needy families.

I support the provision of H.R. 4326 and H.R. 4327 which increase benefit levels to clients, simplify administration, and give States options, particularly for monthly reporting and retrospective budgeting.

I further would support a national payment standard for ADC.

In closing, I would like to ask Congress in responding to human service needs, to simplify and consolidate programs to reduce administrative costs and better serve the needy; support home-based, community-based, family-based care for the elderly and handicapped; support prevention and treatment programs to reduce teenage pregnancy and child abuse, including parent education and homemaker programs; pass the child support legislation now pending before Congress to strengthen the Child Support Program; continue the Work Incentive Program, to target employed related services to ADC recipients; support the involvement of volunteers and community groups, including churches, in solving the human service problems in their communities; refuse to approve anymore reductions in social programs at this time; and give special recognition and support to programs responsive to women and minorities, who have been most affected by recent economic conditions.

Thank you for listening.

Chairman FORD. Thank you, Ms. Wheeler. Mr. Frazier.

STATEMENT OF LEON FRAZIER, COMMISSIONER OF THE DEPARTMENT OF PENSIONS AND SECURITY, STATE OF ALABAMA

Mr. FRAZIER. Thank you, Mr. Chairman, Congressman Ford and members of the committee.

I am Dr. Leon Frazier, chairman—pardon me, commissioner of the Department of Pensions and Security, State of Alabama.

I appreciate the opportunity to appear before you today in my own official capacity and as representative representing Governor Wallace.

I would certainly like to commend you and the other members of the committee for the concern you are expressing for the needs of the people by exploring ways in which our Nation's social service delivery system can be improved.

I come to you from a State where the recession lingers, where the unemployment rate is almost 13 percent, where per capita income, even in the best of times, is very low.

The social service needs in Alabama are similar to the needs of many of the Southeastern States, particularly those with economic bases dependent on agriculture and on heavy industries, such as steel, so depressed by changing times.

The largest program administered by the department of pensions and security, the food stamp program, is usually an accurate barometer of unemployment.

Without this program and the $341 million in benefits it provided last year, we would definitely have seen highly visible and widespread hunger in our State.

We know that both hunger and malnutrition exist in Alabama, but we have reason to believe the food programs to eliminate them are available.

We are lacking, however, in the preventive resources of transportation, especially in the rural areas, and of nutrition education, particularly for parents who neglect their children's diets through ignorance.

One of the greatest needs in Alabama is for an income maintenance program that meets the needs of people while giving them a clear incentive to strive for independence.

Alabama has one of the weakest aid to dependent children programs in the country. Our payment level ranks 49th among the States.

Efforts to increase the payments have failed, not just because our State has not had the money, even though that is part of the reason, but more to the point, because the AFDC Program is so politically unpopular.

Securing political support for any income maintenance program in Alabama will require an entirely new approach to the problem of economic dependency.

The AFDC Program is so structured as to perpetuate a subclass of dependency among people who have the potential to produce.

Preliminary findings from a study that our department had done for us by the University of Alabama showed clearly, along with other studies that have been done throughout the country, that almost three-fourths of the State's AFDC recipients entered the system because they became pregnant at a time when they had no means of support.

Researchers say that their most significant finding is that unwanted, unplanned teenage pregnancy interrupts education, often permanently, at the time that it triggers welfare dependency.

Although the term of most AFDC recipients is less than 2 years, the majority of those being served at any point in time, as corroborated by research, and the most expenditures at any point in time,

represent long-term recipients, and by long term, I mean 8 years or more. There is a basic problem, being lack of education.

I have thought about an approach to this problem that might be called edu-care as opposed to work fare. Work fare requires people to work, satisfying the punitive mind, but failing to attack the roots of dependency.

What if the education and welfare system joined together and what if there were a coordinating force to make them conglomerate, to attack two of the most basic problems, lack of education and lack of useful, marketable skills? I propose a plan whereby the State would assist AFDC mothers in finishing high school and in completing a training program directed toward an existing and worthwhile job as an integral and required element of the AFDC Program.

The program would teach self-relianace to people who have a capacity for better lives, if given a chance.

This plan would have to encompass a system of comprehensive services, day care, transportation and counselling, etc., in order to succeed. It would carry a very strong sex education component, and it would be directed toward the many in the AFDC system who are potential producers, but for whom there is now little substantive program thrust.

In Alabama, as in most States, many of the resources to carry out this program are already in place. We have, for example, an excellent system of vocational schools and community colleges in our States.

The plan would require funding that is not now available, but the money invested would be well worth the cost and would effect a savings over the long-term by attacking the basis of long-term dependency and by striking out the roots of recidivism.

Recidivism is an element of this problem which isn't given much attention. Research has shown that a full one-third of the ADC recipients return to the program after they have left because they have not been able to, in most cases, increase their income and get a job.

The recidivism in most cases is based on a lack of basic education and the skills that will require them to sustain themselves in a self-reliant process.

Once an ADC mother left the system, the chances of her returning would be lowered if we attacked the roots of the problem. She would then have the tools to succeed.

You have asked me to comment on two bills in which the committee has a strong interest, H.R. 4326 and H.R. 4327.

Although I would prefer to see an entirely new approach to the concept of income maintenance, and I will explain, Alabama supports both bills as offering improvements in the existing system.

Optional monthly reporting, demonstrations of integrated service delivery and liberalization of the earned income disregards are among the components of these bills that we especially support.

The legislation would offer some reversal of the detrimental impact resulting from administration reductions that began in 1981. This year, when Congress considers the President's budget proposals, Alabama especially urges a close and critical look at

both existing and proposed laws regarding error rate, sanctions and monthly reporting.

Monthly reporting places an inordinate burden on States and recipients. It costs the State money and saves little or nothing in Federal dollars, and this has been borne out in our research. There is none available. The last came from the State of Illinois, and that research was conducted for about a year.

The quality control regulations are much too stringent. Many States will be unable to achieve the 5 percent tolerance limit in food stamps that becomes effective next year. The proposed level of 3 percent is totally unacceptable.

In coping with Federal budget cuts, Alabamians have not seen fit to replace Federal dollars with State dollars. Yet, they have not shirked their responsibility to search for new resources and to try new methods.

The high rates of unemployment we have experienced have brought people together; there has been a resurgence of the voluntary spirit.

Last year, volunteers contributed an estimated 1.2 million dollars' worth of service to the department of pensions and security alone. With the leadership of Governor Wallace and his staff, our State is creating a network of humanitarian resource committees charged with organizing the resources of the public and private sectors to meet needs and develop new ways of solving social problems. That has greatly multiplied the dollar value of voluntary service problems.

With a small amount of money from last year's jobs bill, the department of pensions and security funded for 1 year, 17 model projects directed toward prevention of teenage pregnancy and of abuse and neglect of children and adults.

The projects rely heavily on community involvement and voluntary support. They include such components as parenting education and sex education in the public schools. This is the kind of flexibility the States need, the flexibility to plan and choose, the flexibility to give individual communities a chance to be innovative, to direct resources toward peculiar local needs within a framework of Federal incentive and support.

The Federal Government can encourage this decentralized approach in many ways, perhaps especially through the granting of seed money for small community projects creative enough to fall outside the mesh of regulations that can stifle creativity.

I share the concern of Congress and millions of taxpayers over the huge budget cuts that our Nation faces. Definitely, we should strive for a balanced budget so as to protect the future of our children and our grandchildren. Yet, a balanced budget at the expense of the poor will cost our Nation much more in the long run.

We should encourage, and we are encouraging, more and more involvement on the part of the private sector in meeting immediate needs and in planning.

At the same time, the public sector has to accept and meet its obligations, especially in terms of leadership and example.

Again, in closing, I commend you and the other members of the committee for organizing this series of hearings, and I will be glad to answer any further questions that you might have.

[The prepared statement follows:]

STATEMENT OF DR. LEON FRAZIER, COMMISSIONER, STATE OF ALABAMA—DEPARTMENT OF PENSIONS AND SECURITY

Mr. Chairman, members of the committee, and fellow panel members. It is my very sincere pleasure and honor to represent Governor Wallace and the state of Alabama at this important hearing. I commend you and the other members of the committee for the concern you are expressing for the needs of people by exploring ways in which our nation's social service delivery system can be improved.

I come to you from a state where the recession lingers, where the unemployment rate is almost 13 percent, where per capita income, even in the best times, is very low. Alabama has the dubious distinction of having ranked third in the nation in unemployment for all of 1983.

The social service needs in Alabama are similar to the needs of many of the southeastern states, particularly those with economic bases dependent on agriculture and on heavy industries, such as steel, so depressed by changing times. The largest program administered by the Department of Pensions and Security—the food stamp program—is usually an accurate barometer of unemployment. Although participation has gone down slightly in recent months, food stamps still reach about 220,000 households in the state, or about one out of every six families.

Without this program and the $341 million in benefits it provided last year, we would definitely have seen highly visible and widespread hunger in our state. We know that both hunger and malnutrition exist in Alabama, but we have reason to believe the food programs to eliminate them are already available. We are lacking, however, in the preventive resources of transportation, especially in rural areas, and of nutrition education, particularly for parents who neglect their children's diets through ignorance.

One of the greatest needs in Alabama—and I suspect in many states—is for an income maintenance program that meets the needs of people while giving them a clear incentive to strive for independence. Existing work programs—from workfare to work incentive—are not the answer.

Alabama has a very successful workfare program in one county, but the program has demonstrated what we already knew—that welfare recipients want to work. It has not resulted in permanent, unsubsidized employment for many recipients. Training programs for the unskilled too often teach skills for which few or no jobs are available. Some of the concepts proposed in recent years—such as grant diversion to encourage employment of recipients in the private sector—are promising and welcome but are not as innovative as one would wish.

Alabama has one of the weakest Aid to Dependent Children programs in the country; our payment level ranks 49th among the states. The average benefit for a mother and two children is still $111 a month. Efforts to increase the payments have failed, not just because Alabama has not had the money but, more to the point, because the ADC program is so politically unpopular.

Securing political support for any income maintenance program in Alabama will require an entirely new approach to the problem of economic dependency. The ADC program is so structured as to perpetuate a subclass of dependency among people who have the potential to produce. A great many families—almost always mothers with small children—do enter the system for only a brief period, and, once off, never return. Nonetheless, when a family has depended on ADC for two or three years, the chances are very high that it will remain on for a very long time, perhaps until all the children are grown and perhaps longer, as the cycle of dependency continues.

The University of Alabama is under contract with the Department of Pensions and Security to carry out a study of the characteristics of ADC families in the state. Preliminary findings show clearly that almost three fourths of the state's ADC recipients entered the system because they became pregnant at a time when they had no means of support. Researchers say their most significant finding is that unwanted, unplanned teenage pregnancy interrupts education, often permanently, at the same time that it triggers welfare dependency.

I have thought about an approach to this problem that might be called "edu-fare." "Workfare" requires people to work, satisfying the punitive mind but failing to attack the roots of dependency.

What if the education and welfare systems joined together to attack two of the most basic problems—lack of education and lack of useful, marketable skills? I propose a plan whereby the state would assist ADC mothers in finishing high school and in completing a training program directed toward an existing and worthwhile

job. The program would teach self-reliance to people who have the capacity for self-reliance if given a chance.

This plan would have to encompass a system of comprehensive services—day care, transportation and counseling—in order to succeed. It would carry a very strong sex education component, and it would be directed toward the many in the ADC system who are potential producers.

In Alabama, many of the resources to carry out this program are already in place. We have, for example, an excellent system of vocational schools and community colleges in our state. The plan would require funding that is not now available, but the money invested would be well worth the cost and would effect a savings over the long term. Once an ADC mother left the system, the chances of her returning would be lowered. She would have the tools to succeed.

"Edu-fare" has some similarities to "workfare"—but the work of study and training would have meaning and promise. Too often a young woman's association with the education system ends forever at the point her association with the welfare system begins. "Workfare" leaves out the components of education and training so necessary for success in the workplace. "Edu-fare" would prepare the recipient for the world of work. It is a different approach, and it might or might not succeed. This is a time, however, for trying innovative methods, for taking risks.

You have asked me to comment on two bills in which the committee has a strong interest—H.R. 4326 and H.R. 4327. Although I would prefer to see an entirely new approach to the concept of income maintenance, Alabama supports both bills as offering improvements in the existing system. Optional monthly reporting, demonstrations of integrated service delivery and liberalization of the earned income disregards are among components of these bills that we especially support. We also approve wholeheartedly of the component allowing demonstrations that include payments for intact families in which one or both parents is unemployed.

The legislation would offer some reversal of the detrimental impact resulting from Administration reductions that began in 1981. In Alabama, the numbers receiving ADC have dropped, since then, from 63,000 families to 55,000 families. Working families have been hardest hit, so that, prior to implementation of the Omnibus Budget Reconciliation Act of 1981, 10 percent of the families had some earned income, and, now, only a little more than three percent do, nearly all from irregular part-time work. This almost total elimination of people who work serves to penalize, rather than reward, those who are striving for independence.

There are many non-controversial proposals in H.R. 4326 and H.R. 4327, but their thrust is generally contrary to the budget proposals of the Reagan Administration for the upcoming fiscal year. Once more, the Administration has proposed no funding for the community services block grant, assuming that many of these programs can be funded through the social services block grant. The Administration's budget continues to equate "increased state flexibility" with "decreased federal funds." In Alabama, "flexibility" often translates into the "flexibility" to reduce services rather than to develop the mix of services necessary for meeting our state's unique social and economic needs.

Lost federal funds for social services have not been replaced with state funds in Alabama. Currently, the Alabama Legislature is debating a number of proposals for a wide range of new taxes. Yet, should the taxes be approved, it is doubtful any would benefit programs now dependent almost totally on the social services block grant. The new taxes would, however, benefit some programs where needs are quite critical, including mental health, medicaid and prisons.

The independence exerted by members of Congress in rejecting many of the Administration's proposals since 1981 has been gratifying and welcome. This year, Alabama especially urges Congress to take a close and critical look at both existing and proposed law regarding error rate sanctions and monthly reporting. Monthly reporting places an inordinate burden on states and recipients. It costs the states money and saves little or nothing in federal dollars.

The quality control regulations are much too stringent. Many states will be unable to achieve the five percent tolerance limit in food stamps that becomes effective next year. The proposed level of three percent is totally unacceptable.

Alabama's food stamp program has one of the best records of quality control in the country. On three separate occasions, our state has qualified for enhanced funding because of our low error rate. We take pride in our successful and concerted efforts to bring the error rate farther and farther down. Corrective action in Alabama includes ongoing improvements in administration coupled with a strong anti-fraud program in cooperation with district attorneys and the state attorney general.

A project we are planning, "TZER," promises to reduce errors even more, but the acronym and the words it stands for—Toward Zero Error Rate—reflect that fact

that there is a point beyond which errors cannot be reduced. Even if administrative errors could be eliminated, errors caused by clients, whether through innocence or intent, could not be wiped out altogether.

Programs that provide money or its equivalent, vital as they are, are only part of the network of aid necesssary for meeting human need. Apart form monetary benefits are social services that attach problems that cannot be solved through direct provisions to the client of a money payment. Economic dependency and one of its major causes, teenage pregnancy, are among the most serious social problems in Alabama, but there are others.

We are extremely concerned over the ever-growing problems of child abuse and neglect and abuse and neglect of the elderly and handicapped. In Alabama, the Department of Pensions and Security received almost 24,000 reports of child abuse and neglect last year and almost 3,200 reports of adult abuse and neglect. More preventive resources are needed—to teach young parents the skills of child rearing and to allow elderly and handicapped people to remain in the community while receiving protection.

Especially with reductions in services provided by medicaid, we are seeing a greater and greater need for more community-based care for the elderly. Available services, such as day care and foster care, are too few and too scattered. Existing services are requiring greater and greater skills on the part of providers who find themselves caring for people with very severe disabilities—disabilities that once would have qualified the clients for nursing home care.

In coping with federal budget cuts, Alabamians have not seen fit to replace federal dollars with state dollars. Yet they have not shirked their responsibility to search for new resources, to try new methods. The high rates of unemployment we have experienced in Alabama have brought people together; there has been a resurgence of the voluntary spirit. Last year, volunteers contributed an estimated $1.2 million worth of service to the Department of Pensions and Security. With the leadership of Governor Wallace and his staff, our state is creating a network of Humanitarian Resource Committee charged with organizing the resources of the public and private sectors to meet needs and develop new ways of solving social problems.

With a small amount of money from last year's Jobs Bill, the Department of Pensions and Security funded for one year 17 model projects directed toward prevention of teenage pregnancy and of abuse and neglect of children and adults. The projects rely heavily on community involvement and voluntary support. They include such components as parenting education and sex education in the public schools. Some of the projects are just geting started, so their success or failure has not been evaluated. This is the kind of "flexibility" the states need—the flexibility to plan and choose, the flexibility to give individual communities a chance to be innovative, to direct resources toward peculiar local needs. What is needed is the flexibility to succeed of fail, but to learn, whatever the outcome. The federal government can encourage this decentralized approach in many ways—perhaps especially through the granting of seed money for small community projects creative enough to fall outside the mesh of regulations that can stifle creativity. The freedom to experiment with a variety of new methods in social service delivery, income maintenance, work and training would be very welcome. This would allow, for example, a trial of the concept of "edu-fare" I explained earlier.

I share the concern of Congress and millions of taxpayers over the huge budget deficit our nation faces. Definitely we should strive for a balanced budget so as to protect the future of our children and our grandchildren. Yet, a balanced budget at the expense of the poor will cost our nation much more in the long run. We should, and we will, encourage more and more involvement on the part of the private sector in meeting immediate needs and in planning. At the same time, the public sector has to accept and meet its obligations, especially in terms of leadership and example.

In closing, I again commend you and the other members of the committee for organizing this series of hearings. I shall be glad to answer any questions you might have.

[Attachment A]

Reagan Administration's Fiscal Year 1985 Budget for Human Services

INTRODUCTION

President Reagan sent his FY 85 budget request to Congress on Feb. 1, but the measure is not expected to be of much help as the lawmakers grapple in an election

year with the huge federal deficit the plan does little to address. The White House seems well aware of the shortcomings of its request. Key administration officials have been admitting on Capitol Hill for the past week that perhaps stronger action against the deficit is necessary to keep the economic recovery alive. And the president has initiated private discussions with a small group of House and Senate leaders in an attempt to shape a bipartisan solution to the problem. The short congressional session customary in an election year, and the view of many Democrats that Reagan should not be let off the hook this time around, make the prospects for sensible compromise something less than favorable.

The administration is proposing a budget for next year of $925.5 billion, compared to $853.8 billion scheduled to be spent in FY 84. With revenues projected to reach $745.1 billion, that would leave a deficit of $180.4 billion. The figures are based on what many private economists and members of Congress believe to be overly optimistic assumptions about the performance of the economy. The administration is projecting that real growth will continue at an annual average rate above 4 percent, that the rate of inflation will stay under 5 percent, and that interest rates will decline. Private forecasts, on the other hand, suggest that this year's rapid growth in the economy will level off in 1985, as interest rates move upward owing to the size of the deficit and prices start to rise at a faster pace. The administration and private forecasts do agree, however on the likely unemployment rate, with each predicting an annual level of around 7.5 percent. Some economists fear that failure to rein in the deficit now could pitch the economy into another recession after 1985, which would swell the deficit far beyond the levels being experienced at present.

The budget assumes a net reduction in spending of $19 billion from what would otherwise be required under current law next year and revenue increases of $8 billion. Some $5.4 billion of the spending reduction would fall in the domestic programs category as a result of proposed savings of $9.5 billion offset by $4.1 billion in increased expenditures. None of the recommended increases would occur in the human services area, while $5–6 billion of the cutbacks asked for would affect programs serving low-income people. With few exceptions, the proposals for reducing human service spending are the same as those urged by the administration and put aside by Congress last year.

INCOME SECURITY

Aid to Families with Dependent Children [AFDC]

President Reagan's commitment to curtailing the AFDC program remains firm in his FY 85 budget request. Indeed, the cost-saving changes being sought in the program for next year are the same as those recommended last year—none of which passed muster in Congress. The FY 85 plan would lower federal outlays on AFDC to $7.144 billion from the $7.777 billion expected if current policy were to continue unchanged—a cut of $633 million, or 8.1 percent. Since the proposed changes would produce savings almost exclusively in basic AFDC benefits—which under current law are projected to cost the federal government $6.754 billion next year—rather than in administration or the special benefits (e.g., emergency assistance) available under the program, the actual percentage reduction is closer to 9–10 percent. The $7.144 billion in outlays recommended for FY 85 compares with $7.517 billion in FY 84 and $7.761 billion in FY 83. Even if its cost-saving proposals are ignored by Congress, the administration still predicts a drop in the AFDC caseload from 10,437,000 recipents this year to 10,387,000 recipents next year, owing to the effects of declining unemployment levels.

The budget request's spending estimates for FY 84 and FY 85 also assume the payment of substantial penalties by the states for AFDC error rates exceeding federal tolerances. The administration expects to collect $347 million in fiscal sanctions from the states this year for error rate performance in FY 81, FY 82, and FY 83, the three-year period covered by the Michel amendment. Since state error rates for FY 82, and FY 83 have not even been calculated yet and, at least in the case of FY 83, won't be for some time, and since current policy allows a state to appeal a sanction before any money is taken, it is difficult to see how the full $347 million could be saved before next Oct. 1 when the current fiscal year ends. Error rate penalties are expected to yield $223 million in savings in FY 85. Apparently, HHS opposed the accelerated collection of penalties as technically unfeasible but was overruled by the Office of Management and Budget. However, there has been talk the past year or so about changing the AFDC regulations to allow the federal government to withhold the amount of the penalty from a state at roughly the time its error rate is established, rather than waiting to take the money until the appeals process has been completed. If such a change were made within the next several months, it is con-

ceivable that the penalties for fiscal years 81 and 82, although not 83, could actually be collected this year.

The $633 million in outlay savings the administration wants in AFDC would come from the legislative proposals described below, all of which appeared in the FY 84 budget request and most of them in the FY 83 plan as well. The error rate sanction proposal is omitted here, since it is not being offered as an item needing congressional approval.

Mandate workforce and job search

Under this proposal, all able-bodied adult recipients would have to participate in a work program of one kind or another. To help accommodate them, every state would be required to either provide job search and community work experience (i.e., workfare) or, with HHS approval, set up a subsidized employment program in which AFDC grants would be used as wage subsidies to encourage employers to hire welfare recipients. All three approaches—job search, workfare, and grant diversion—are currently state options. The administration expects this proposal to save $171 million in FY 85, a sharp drop from the $275 million in savings attached to the same proposal in last year's budget request.

Since President Reagan first proposed mandatory workfare in 1981, states have vigorously opposed being required to institute particular types of work programs. Their arguments have been fourfold. The first is that specific techniques, such as workfare and job search, have not been shown to be cost-effective, especially on the large scale contemplated by the administration. Secondly, mandates are insensitive to differences in economic conditions from one state to the next and among local areas within a state—conditions which may determine the affordability and effectiveness of a given technique. Nor, thirdly, are required practices sensitive to differences in the needs and abilities of welfare recipients, a factor which research has demonstrated to be critical to whether or not a work program succeeds.

And finally, mandates are necessary since states are already committed to reducing welfare dependency through employment, as evidenced by their taking prudent advantage of the work options now available under federal law. In rejecting proposals for mandatory workfare and job search the past three years, Congress has evidently agreed with all, or at least some, of these arguments.

Redefine the AFDC family

Under current law, a family can decide for which of its members it will seek assistance, meaning that a member with another source of income (e.g., a child with child support) can be excluded in determining eligibility and benefits. The administration would preclude this possibility by requiring states to include in the assistance unit the parents and minor siblings—except those on SSI—who live with a child applying for, or receiving, AFDC. In FY 85, conversion to such a standard filing unit would save the federal government an estimated $143 million.

Although states have generally favored the adoption of a standard filing unit, Congress refused to go along with this proposal in 1982 and 1983. The debate has centered on how the concept of equity should be applied in defining the AFDC unit. Those who want the change say that it would, by making eligibility and benefits more sensitive to a family's true financial condition, assure more equal treatment of families in comparable circumstances. Those against it argue that it would, in effect, hold children with outside income responsible for meeting the needs of other family members and would reduce the income of people who are already poor.

Prorate shelter and utility costs

The administration proposes requiring states to reduce the AFDC benefit for welfare families who live with others, on the assumption that shelter and utility expenses are shared by the entire household. At present, states have the option to prorate shelter and utility costs in this situation. It is estimated that a mandate would yield $263 million in federal savings next year.

Like other of the administration's proposals, proration aims to better target benefits on people in real need. And like these others, it does not escape criticism. Opponents of the idea contend that shared living is not always cheaper, that people may live together for reasons other then economy, and that when economy is the motivation for consolidating households, it is more a matter of financial necessity than mere thriftiness and should not be penalized by benefit reductions. Questions are also raised about the propriety of shelter and utility proration in states with AFDC programs that do not adequately cover these expenses. Finally from the standpoint of administration, states believe proration would be costly and error-prone, since it would add to program complexity.

End parent's benefit when youngest child turns 16

The president would like to see the needs of the parent or caretaker relative—so long as that person is employable—left out in determining benefits once the youngest child in the AFDC unit reaches age 16. This would not end benefits to the child but would, in the administration's view, induce adults to find employment when they no longer have child care responsibilities that require them to stay at home. As proposed last year, once the adult or caretaker relative has a job the family would be treated the same as one in which a stepparent is present. The federal government could expect to save $17 million from this proposal in FY 85.

Currently, benefits end for the entire family when the youngest child turns 18. Thus, one could argue that shutting off assistance to the parent two years earlier would encourage entry into the work force without putting the child at jeopardy. On the other hand, the loss of income could just as well lead the child to drop out of school and go to work in order to support the family. A legitimate concern could also be raised about the effect this proposal would have on parents with limited or no work experience, who are forced into an already tight labor market where the competition for gainfully paying jobs is great. Training programs might help to ease the transition for these people, but the administration's proposals to eliminate the Work Incentive (WIN) program and to hold the Job Training Partnership Act [JTPA] at its current funding level next year—the two major sources of federal funding for training—would seem to reduce the availability of this option for the states.

Other AFDC proposals

The budget also includes four other proposals affecting the AFDC program. These are:

(1) barring assistance to the family when a parent leaves home to seek or maintain employment. States contend this change would largely be unenforceable due to the difficulty of determining that work is the reason for parental absence. Also, while the proposal is intended to discourage families from breaking up for financial gain, it could also make it harder for a family to become self-sufficient.

(2) denying AFDC to recipients who voluntarily quit a job, reduce the number of hours worked, or refuse an employment offer without good cause. Many states believe that such a sanction is needed to deter people from not working, while advocates for the poor say that denying aid is an extreme measure and would deprive children of the support they need.

(3) allowing states to require the parent or caretaker relative to register for work when the youngest child in the family reaches age 3, rather than age 6 as is now done. Proponents of lowering the age argue that, in order to reduce long-term welfare dependency, AFDC parents should be strongly encouraged to enter the labor force as soon as possible. Those on the other side of the issue contend that parents should not be forced to make a choice between rearing their children and paid employment. The point is also made that requiring parents with young children to work makes little sense unless adequate day care is available.

(4) requiring minor parents to live with their parents in order to qualify for AFDC, except under certain circumstances. This proposal is intended to deter minor parents from forming their own households in order to qualify for, or increase the amount of assistance they receive from, AFDC. Some proponents of the idea also suggest that, lacking access to welfare, teenagers may be more conscientious about avoiding pregnancy. Opponents claim that such a policy would be difficult to enforce and that states would have to pick up the costs of helping those minor parents who nonetheless choose to form their own households.

Combined, the four recommendations could save some $39 million in FY 85.

AFDC BUDGET PROPOSAL

[In millions of dollars]

	1983	1984	1985
Current law budget authority	7,877	7,722	7,577
Proposed legislation			−633
Total authority	7,877	7,722	6,944
Current law outlays:			
AFDC benefits	6,905	6,533	6,754
Emergency assistance	55	55	56

AFDC BUDGET PROPOSAL—Continued

[In millions of dollars]

	1983	1984	1985
Other assistance payments	14	15	16
State and local administration and training	754	874	913
Federal administration and related costs	33	40	38
Subtotal	7,761	7,517	7,777
Proposed legislation			−633
Total outlays	7,761	7,517	7,144

Child Support Enforcement [CSE]

Federal savings next year of $42 million are anticipated from enactment of the administration's plan, now pending before Congress, to enhance child support enforcement. Some $19 million of this savings would come from a reduction in the federal share of state and local administrative costs for the CSE program. The other $23 million would fall in the AFDC program as the increased child support collections anticipated, reduce the need for welfare benefits. All in all, the administration would expect to contribute $545 million toward the operation of CSE and receive in return $440 as its share of the support collected on behalf of AFDC recipients. The budget also reflects $100 million in Medicaid savings due to implementation of a regulatory change, issued last year, to require health care coverage as part of a child support order when such coverage is available to the absent parent at a reasonable cost.

The administration's legislative proposal to reform CSE differs from the one it offered last year in that the current package appears, in effect, to be comprised mainly of five major amendments to the reform bill adopted by the House in November, H.R. 4325 (see W-MEMOs 13, 15, and 19, 1983):

(1) A lowering of the federal match for administrative costs from 70 percent to 65 percent. President Reagan recommended the same thing last year, but the House chose to exclude it from H.R. 4325. If adopted this year, the cut in the match would continue a trend that began with enactment of the Tax Equity and Fiscal Responsibility Act of 1982, when the rate was reduced to 70 percent from 75 percent. The administration believes a further reduction is necessary, to give states a stronger financial inducement to operate cost-effective CSE programs.

(2) Establishment of special performance-based incentive payments that reward a state equally for both AFDC and non-AFDC collections. Currently, a state receives an incentive payment equal to 12 percent of the support it collects for AFDC families. The House legislation would replace this with a sliding scale—geared to cost-effectiveness—that would range from a minimum of 4 percent to a maximum of 10 percent of both AFDC and non-AFDC collections. To shore up the relatively weaker performance in the non-AFDC portion of the program, a state could earn a total non-AFDC incentive payment equal to 125 percent of its AFDC incentive. Although the administration favors the basic incentive approach contained in the House bill, it opposes rewarding non-AFDC performance more, arguing that this would make the incentive payments too expensive and could detract from the use of child support enforcement to reduce AFDC costs.

(3) A requirement that states start withholding income from an absent parent no later than after two months worth of support arrearages have accumulated. H.R. 4325 mandates income withholding once arrearages equal one month of support. However, there is fear that a one-month trigger would generate more volume than many states could handle given their current administrative technology and resources and the added responsibilities entailed by other features of the reform legislation.

(4) A mandate that states adopt by 1985 income withholding and other practices designed to enhance the establishment and enforcement of support. The House bill would give states until the start of FY 86 to put such required procedures into effect. The state human service administrators have asked for a minimum of two years to gain the necessary approvals from their state legislatures.

(5) A requirement that states collect a minimum application fee of $25 for services to non-AFDC families. Currently, the application fee is optional for states, and it is not addressed in H.R. 4325. Critics of the mandatory fee claim that judges are prone

to take it out of the support order, thereby reducing the payment to the mother and child(ren) and creating a disincentive to use the Title IC-D system.

CHILD SUPPORT ENFORCEMENT BUDGET PROPOSAL

[In millions of dollars]

	1983	1984	1985
Current law budget authority:			
Federal matching	523	559	582
Proposed legislation			−19
Total authority	523	559	563
Current law outlays:			
Federal matching	512	557	577
Proposed legislation			−19
Total outlays	512	557	558
Collections (AFDC families) [1]	−880	−971	−1,071
Total (Federal and State)	349	399	440
Administrative costs (obligations):			
Total (Federal and State)	+715	+764	+766
Federal share	501	538	545
Net collections (collections minus costs):			
Total (Federal and State)	−165	−207	−305
Federal share	+152	+139	+105

[1] In the appropriations request, the Federal share of collections is included in the assistance Payments [AFDC] appropriation as an offset to AFDC benefits.

Supplemental Security Income [SSI]

The administration is requesting $9.4 billion to provide benefits to eligible recipients under the SSI program. The program serves roughly 4 million elderly, blind, and disabled persons. The request reflects $16 million in savings through proposals to improve recovery of overpayments. Specifically the administration proposes legislation to authorize coordination between the SSI and Old Age and Survivors Disability Insurance [OASDI] programs to detect overpayments in either program. In addition, it is proposed that SSI benefits be adjusted downward to reflect the receipt of retroactive OASDI benefits. Under current law, only OASDI benefits may be reduced when retroactive payments are made.

SSI BUDGET PROPOSAL

[In millions of dollars]

	1983	1984	1985
Current law budget authority	8,560	8,376	9,362
Proposed legislation			−16
Total authority	8,560	8,376	9,346
Current law outlays	7,852	7,420	8,400
Proposed legislation			−16
Subtotal	[1] 7,852	7,420	8,384
Hold-harmless payments	13	5	
Beneficiary services	8	96	5
Federal fiscal liability	20	69	21
Administrative costs	830	963	936
Disability demos		1	2
Total outlays	8,724	8,554	9,349

[1] The 1983 subtotal includes 13 months of benefit payments; the 1984 subtotal reflects 11 months of benefit payments; and 1985 shows the normal 12 months of payments.

Low income home energy assistance

The president's budget recommends funding the low income home energy assistance program in FY 85 at the current level of $1.875 billion, the first time since Reagan came to office that the program has not been slated for a large reduction. Since the authorization for energy assistance expires at the end of this fiscal year, the administration does plan to propose legislation extending it. No major changes are expected to show up in this bill, however, except a recommendation to finance the program out of a newly created "Petroleum Overcharge Restitution Fund" composed of revenues from existing oil escrow accounts and future oil overcharge settlements. Authority would continue to exist to use general revenues—the current source of financing—in the event the overcharge fund is insufficient during a year. Trying to modify how energy assistance is paid for could cause pose a jurisdictional problem in Congress, since the Senate Finance and House Ways and Means Committees are responsible for revenue matters, but other committees currently rule over energy assistance. The funding level being requested by the administration is also sure to stir debate, particularly since the president has already asked for an extra $200 million for the program for the rest of this year, bringing the FY 84 total to $2.075 billion. Budget documents indicate that no changes in the formula for allocating funds among the states are being contemplated by the administration as part of the reauthorization.

LOW–INCOME HOME ENERGY ASSISTANCE BUDGET PROPOSAL

[In millions of dollars]

	1983	1984	1985
Budget authority:			
Current law	1,975	1,875	.....
Proposed law	.....	.....	1,875
Outlays:			
Current law	1,993	1,887	188
Proposed law	.....	.....	1,688

Refugee and entrant assistance

The refugee and entrant assistance progrm is targeted by the administration's budget for a $155 million cut in FY 85. This would leave funding for the program at $360 million next year. A sharp drop in the number of refugees eligible for cash and medical assistance is cited as the chief reason for the cutback. Administration estimates show the eligible population declining from 260,00 to 186,000.

The refugee and entrant assistance program is currently funded under the terms of a continuing resolution, because Congress has not been able to reach agreement on legislation to reauthorize it. In pursuing reauthorization this year, the administration is asking the voluntary resettlement agencies be given the responsibility for meeting a refugee's basic needs during his or her first 90 days in this country. The purpose would be to keep refugees from becoming dependent on welfare by denying them early access to it. Resettlement experts, however, believe that many refugees will fall through the cracks of the voluntary agency system and end up seeking assistance at local welfare offices anyway.

REFUGEE AND EXTRANT ASSISTANCE BUDGET PROPOSAL

[In millions of dollars]

	1983	1984	1985
Budget authority:			
Cash and medical assistance	399	357	261
Social services	72	44	46
Voluntary agency programs	4	4	4
Targeted assistance	82	82	19
Educational assistance	17	17	13
Preventive health	6	4	9
Federal administration	6	7	7
Total	585	515	419
Outlays	524	599	419

35-453 O - 84 - 5

EMPLOYMENT PROGRAMS

Job Training Partnership Act [JTPA]

The administration is requesting FY 85 budget authority of $3.611 billion for programs carried out under the Job Training Partnership Act, an amount comparable to this year's funding level. Grants to the states would account for $2.834 billion of the total, with the general block grant receiving $1.886 billion, the summer youth program $725 million, and the program to assist dislocated workers $223 million. The remaining $777 million would be used to finance several federally run programs such as the Job Corps and activities for native Americans and migrant and seasonal farmworkers.

Apparently, the only significant change the president is seeking in the Job Training Partnership Act is a lower minimum wage for participants in the summer youth employment program. The wage would be set at $2.50 per hour—75 percent of the current minimum—and would be available to employers, for youths under the age of 22, from May 1 through September 30 each year. The same proposal was unsuccessfully urged on Congress last year. If the "youth employment opportunity wage" is enacted, the administration plans to request an $87 million cut in funding for the summer youth employment and training program for this year as well as for FY 85.

Work Incentive [WIN] Program

In a repeat from last year's budget request, the administration is once again proposing the elimination of the WIN program. If agreed to by Congress, this would save the federal government $271 million in FY 85 and would end funding for both the regular WIN program and the various WIN demonstrations that states have set up over the past two years under new authority provided by the Omnibus Reconciliation Act of 1981.

The administration contends that WIN has not proved effective in helping work registrants attain economic independence. The proposal in AFDC for mandatory workfare and job search is intended to overcome this weakness, according to budget documents that have been issued. The administration also points to the Job Training Partnership Act and the social services block grant as available to provide social and employment services to AFDC recipients who are not helped through a states' regular employment service system.

Arguments that have been made against elimination of the WIN program include the following:

(1) The main barriers to better WIN performance are excessive federal regulation and the splitting of authority over the program between the Department of Labor and HHS. For proof of this point one need only look at the early success states are having with their WIN demonstrations, which have seen intentionally designed to overcome such barriers.

(2) Replacing WIN with mandatory workfare and job search would shift substantial costs to the states, since the latter are financed by the regular administrative match of 50 percent, while WIN receives more generous fund geared to a state's performance.

(3) The Job Training Partnership Act and the social services block grant are already being used to provide employment-related services to AFDC recipients, but both programs are funded at a level far below that which was spent prior to the recession on the activities contained within them.

Other employment and training

The targeted jobs tax credit, which is currently scheduled to expire on December 31, 1984, would be extended for another year, if the administration's proposal is enacted. This program provides tax credits for part of the wage employers pay to newly hired members of certain disadvantaged groups, including welfare recipients and youths. The credits are expected to cost the federal government $1 billion in FY 85.

The administration expects to spend $2.452 billion in FY 85 for state employment insurance and employment service operations. The direct funding to states for these administrative activities would be $2.040 billion, with the remainder set aside for national projects and contingencies.

(For budget information on community service employmen. for older Americans please see the section on Social Services.)

EMPLOYMENT AND TRAINING PROGRAMS BUDGET PROPOSAL

[In millions of dollars]

	1983	1984	1985
Budget authority:			
JTPA block grant	2,181	1,886	1,886
Summer youth:			
Current law	825	725	725
Proposed legislation		−87	−87
Dislocated workers	135	223	223
Work incentive	271	271	0
Other training	850	771	777
State operations	2,448	3,540	2,446
Total	6,710	7,329	5,970
Outlays:			
JTPA block grant	2,291	1,784	1,886
Summer youth:			
Current law	750	725	725
Proposed legislation		−87	−87
Dislocated workers	27	209	219
Work incentive	289	273	57
Other training	770	846	779
State operations	2,436	2,470	2,452
Total	6,563	6,220	6,031

HEALTH CARE PROGRAMS

The administration's budget proposals for health care programs are virtually a repeat of last year's. Congress chose not to consider most of the changes during deliberations on the fiscal year 1984 budget. How it will react to the same proposals this year, at a time of rising concern about the deficit, remains to be seen.

Medicaid

As in last year's budget request, the administration's proposals for Medicaid are few in number but, if adopted, would have a major financial impact on the program. The fiscal year 1985 recommendations call for direct program savings of $844 million and an additional net savings of $223 million from the effect of changes in AFDC and Medicare on Medicaid, for total savings of $1.067 billion. Federal Medicaid payments to the states are projected to reach $22.1 billion in fiscal year 1985, an increase of 9.2 percent or 4.5 percent in real terms i.e., when the assumed inflation rate of 4.7 percent is taken into account. If current law remained in effect the program would grow at a real rate of 9.8 percent. The larger increase under existing policy is primarily due to the expiration after fiscal year 1984 of the provision to automatically reduce payments to the states, a cost containment measure contained in the 1981 reconciliation legislation.

The number of people receiving Medicaid benefits is expected to increase in all categories of recipients. Overall, participation is expected to reach 22.9 million net year—an increase of 1 percent. The population grew 1.7 percent from fiscal year 1983 to fiscal year 1984. The administration's proposed changes in Medicaid for fiscal year 1985 are described below:

Extend reduction in federal payments

Medicaid payments to states are already being reduced by 4.5 percent in FY 84, but are scheduled to return to full funding under a current law in fiscal year 1985. The proposal would continue the reduction at a 3 percent level next year and thereafter. The continued reduction is an extention of the policy used in fiscal years 1982–83. The current one percent offsets for states which have a qualified hospital

costs review program, an unemployment rate exceeding 150 percent of the national average, or fraud and abuse recoveries greater than one percent of federal expenditures would continue under the extension, as would the policy of allowing states to earn back all or part of the reduction if their expenditures stay below a specific target amount. Savings from this proposal of $567 million are expected in FY 85. Last year, when the administration made this proposal, it recevied little attention. The House never considered it, and it only became a part of Senate discussion when Robert Dole (R-KS), chairman of the Finance Committee, tried to put together a $150 billion deficit reduction package. While Congress will be hesitant to cut human services programs further this year, the continuation of the reduction in Medicaid payments will be viewed by many as just that—a continuation of current policy. It is also interesting to note the proposed savings from this proposal. In fiscal year 1982, when states had their payments reduced by 3 percent, the net federal savings, after adjustments for the offsets and target levels, was $161 million. How $567 million can be saved in fiscal year 1985 by the same policy is something Congress will have to figure out before deciding what to do.

Mandate copayments

Copayment would be required for inpatient and outpatient services. Categorically needy recipients (primarily those receiving AFDC and SSI) would have to pay $1.00 for each visit to the doctor as well as $1.00 for each day in the hospital. Medically needy recipients would be required to pay $1.50 for physician visits and $2.00 per day when in the hosptial. Savings of $270 million are projected for FY 85.

This is the third year in a row that the administration has made this proposal. Two years ago Congress rejected it, but enacted in its place a copayment policy that allows states to change copayments to the categorically needy for the first time, while exempting a number of groups and services from any copayments (e.g., pregnant woman, emergency services). Last year, neither house considered this or any other copayment proposal.

Assign health insurance rights

As a condition of Medicaid eligibility, an applicant would be required to assign his or her health insurance rights to the state Medicaid agency. This is designed to assist the state agencies as the payors of last resort, to collect health insurance benefits from third party payors before Medicaid cost are incurred. This change would save $7 million in FY 85.

The proposals to change AFDC are expected to lower Medicaid costs by $230 million in FY 85 due to lower caseloads. Medicare changes would increase Medicaid by $7 million in FY 85.

MEDICAID BUDGET PROPOSALS

[In millions of dollars]

	1983	1984	1985
Current law budget authority	19,362	20,674	22,280
Proposed legislation			−1,067
Total budget authority	19,362	20,674	21,213
Current law outlays	19,022	20,272	23,205
Proposed legislation			−1,067
Total outlays	19,022	20,272	22,138

Medicare

As with Medicaid, the administration is reintroducing a number of Medicaid proposals that were first submitted to Congress in the FY 84 budget. A few were agreed to in the respective House and Senate reconciliation bills but these did not reach either floor before the end of the session. The proposals in the FY 85 Medicare budget would save $150 million in FY 84 and $939 million in FY 85. In addition, the administration is making two proposals that would increase the revenues in the Medicare trust funds. Even with the savings, program expenditures would increase by 14.6 percent, or 9.9 when inflation is taken into account, next year. In compari-

son, the cost of the FY 84 Medicare program is expected to rise by 16.4 percent over FY 83 spending. The administration's Medicare proposals are described below:

Freeze physician reimbursement

Physicians are now reimbursed based on a reasonable charge, defined as the lowest of the actual charge billed, the physicians customary charge for that service, or the prevailing charge by comparable physicians in a geographic area for that particular service. The customary and prevailing charge screens, are updated annually every July. The administration is proposing to freeze these screens from July 1, 1984 to June 30, 1985 at the levels used in 1984. It is estimated that the screens, whose increase is tied to the Medicare Economic Index [MEI], would be raised by 4.1 percent without a freeze. The proposal would save $150 million in FY 84 and $600 million in FY 85.

Index the part B deductible

The Medicare Economic Index [MEI] is used to help set physician reimbursement rates under Part B (supplemental medical insurance). The proposal would tie the deductible, currently set at $75, to the MEI. This would raise the deductible to $79 in FY 85. Savings of $40 million would be achieved as a result.

Increase part B premium

TEFRA required that for two years, FY 83 and 84, Part B premiums be set at a level necessary to cover 25 percent of the Part B costs. Without further authorization, the level set in FY 84 will remain unchanged in future yers. The administration would require that the premium grow in stages over the next six years, beginning with calendar year 1985, at the rate of one and two-thirds percent per year. By calendar year 1990, the premium would equal 35 percent of program costs. There would be no direct impact on program outlays, but the proposal would generate $296 million in revenue during FY 85.

Limit tax-free employer-paid health benefits

The administration proposes a cap on the amount of employer-paid health insurance premiums that could be tax exempt. Currently, all such health insurance premiums are tax exempt. The proposal would limit the monthly premium exempt from taxes to $175 for a family plan and $70 for an individual plan. If an employer paid premiums higher than this, the employee would be taxed for the difference as if it were income. Total government revenues from this proposal would amount to $3.9 billion in FY 85, of which $207 million would accrue to the Medicare trust fund and an additional $873 million to the Social Security trust funds.

This proposal was submitted last year independent of Medicare, since at that time it was being recommended that accrued revenues be placed in general federal revenues. The administration believes the limit would provide an incentive for employers and employees to shop around for the most cost-effective health plan. Critics of the proposal, who were able to stop it early last year, believe that such a policy would prevent persons from seeking optional and preventitive care and, thus, would produce more medical costs than are saved because people would end up receiving more expensive treatment.

Establish voluntary voucher program

Recipients would be given the choice of staying in the Medicare program or taking a government voucher equal to 95 percent of the average adjusted Medicare per capita cost to use in purchasing a private insurance plan. Private insurers would be required to provide a benefit package that is at least equivalent to that provided by Medicare. The program would be voluntary, and beneficiaries would be able to re-enter the Medicare system if they chose to do so. Though last year this proposal was projected to cost $50 million in FY 84, no costs or savings are attributed to it for FY 85.

Peer review organizations

The new Peer Review Organizations [PROs] program is reflected in the Medicare budget. Beginning in 1984, PROs replace the existing Professional Standards Review Organizations [PROs] and are responsible for determining the medical necessity and quality of services provided to Medicare beneficiaries nationwide. The PROs will cost $171 million in FY 85, paid out of the Hospital Insurance Trust Fund. Though up until last year the administration had consistently called for the abolition of government funded utilization and quality of care reviews, the new Medicare prospective payment system for hospitals appears to have changed the president's views on the subject. Congress has continually rejected previous proposals to eliminate either PSROs or PROs.

Other medicare proposals

The administration has also proposed the following changes in Medicare: revise reimbursement to home health agencies for durable medical equipment, saving $20 million in FY 85; allow volume purchasing of laboratory services and other medical supplies, with no impact on FY 85 spending; eliminate the end state renal dialysis [ESRD] network, saving $5 million in FY 85; improve management of the Medicare program including competitive bidding for Medicare fiscal intermediary contracts, saving $5 million FY 85; simplify the processing of Part A (hospital insurance) bills, saving $3 million in FY 85; and eliminate the separate fiscal intermediary for the Railroad Retirement Board, saving $1 million in FY 85.

MEDICARE

	1983	1984	1985
Current law buget authority	$50,659	$67,875	$76,832
Proposed legislation			−454
Total budget authority	50,659	67,875	76,378
Current law outlays	56,868	66,326	76,796
Proposed legislation		−150	−939
Total budget authority	56,868	66,176	75,857

Some of the above Medicare proposals would have an effect on the Medicaid program. Changes in the cost sharing provisions, particularly the increase in the Part B premium and deductible, would increase costs to states that buy into Medicare Part B for those Medicaid recipients who are eligible for it. The freezing of physicians' fees would also save funds for state agencies that buy in. As mentioned above, the changes are expected to increase federal Medicaid costs by $7 million in FY 85.

Health care block grants

The administration has requested modest increases for each of the health care block grants in FY 85. The president has also recommended that all of the block grants be transferred to the Office of the Assistant Secretary of Health. In addition, it is proposed that the categorical programs of black lung clinics, migrant health, and family planning be added to the primary health block grant. This last proposal was made in each of the last two years by the administration but rejected by Congress.

HEALTH CARE BLOCK GRANTS BUDGET PROPOSAL

[In millions of dollars]

	1983	1984	1985
Current law buget authority	1,555	1,469	1,469
Proposed legislation			+30
Total budget authority	1,555	1,469	1,499
Current law outlays:			
Maternal and child health	477	398	407
Preventitive care	85	87	89
Alcohol, drug abuse and mental health	468	462	472
Primary care	525	522	534
Total outlays	1,555	1,469	1,502

Health planning

The administration asks for no funding for health planning in FY 85 because the legislation authorizing has expired. If new legislation agreeable to the administration is enacted, an appropriate budget request will be considered at that time. The health planning reauthorization debate is entering its third year on Capitol Hill

with no resolution clearly in sight. However, support for some planning system continues to keep appropriations flowing. The major debate revolves around what level of capital expenditures by health facilities should trigger a certificate-of-need review.

State certification

The administration is asking for increases in both Medicaid and Medicare state certification funds. In FY 84, funding for Medicaid certification is $35 and for Medicare certfication $40 million. Medicaid's amount would be raised in FY 85 to $40 million and Medicare to $50 million—an overall increase of $15 million—for a total of $90 million.

In this program the federal government negotiates with states' licensure agencies to inspect, based on HHS regulations and instructions, health facilities which participate in the Medicaid and Medicare programs.

SOCIAL SERVICES

The President's FY 85 budget proposal contains few surprises for social service programs. Looked at in the aggregate, the social service portion of the budget would be trimmed by slightly over 9 percent in real dollars. This figure is somewhat misleading though, since a look at 18 selected social services programs reveals that most of them (12) would be held at the same level of funding or slightly higher next year. However, one program, runaway youth services, is proposed for a 55% reduction and five programs are slated for virtual elimination.

Many of the social service proposals are not new, having been recommended by the President and rejected by Congress in prior years. Once again, so-called "non-service" activities, such as training, research and demonstration, are given a low priority and would incur large cuts in FY 85. The administration's budget also continues to equate "increased state flexibility" with "decreased federal funds" as it repeats earlier attempts to abolish the community service block grants while allowing states the flexibility to fund the activities covered by this program through the social services block grant.

Social and community services block grants

The administration recommends funding the social services block grants [SSBG] at $2.7 billion in FY 85. The budget documents show this to be a $25 million increase over FY 84 budget authority, despite the fact that Congress acted last fall to increase the statutory ceiling to $2.7 billion for FY 84. Although the SSBG is an appropriated entitlement, there must be a $25 million supplemental appropriation in FY 84 to increase it to the level required by law, since the authorization increase was not approved until after Congress enacted the FY 84 Labor/HHS appropriations bill. The budget makes clear that, without prodding the Congress, the administration will not request the additional $25 million for FY 84.

For the community services block grant [CSBG], as mentioned above, the budget contains no money. Currently, the CSBG is funded at $352.3 million, of which $316.7 million is for grants to states, $31.3 million for discretionary activities by HHS, and $4.3 million for program support. In almost the identical language used in last year's budget, the administration claims that allowing states to use other funding sources, such as the SSBG, to fund CSBG activities, would result in greater flexibility to develop a mix of services and activities most appropriate to the unique social and economic needs of their residents.

Congress last year not only rejected the same proposal but actually increased funding for both the SSBG and the CSBG in recognition of the growing need for the types of services supported through these programs. The Emergency Jobs and Humanitarian Aid Bill, P.L. 98-8, passed by Congress and signed into law by the President last March increased funding in FY 83 for the CSBG by $25 million and for SSBG by $225 million. As mentioned earlier, subsequent action permanently inceased the SSBG ceiling by another $25 million, raising it to $2.7 billion.

Aging services

The FY 85 budget proposes to retain funding for most aging services programs at FY 84 levels: supportive services and centers—$240 million; congregate meals—$321 million; home delivered meals—$62 million; and state agencies on aging administrative costs—$22 million. In addition, the budget indicates that this year legislation will be introduced to transfer funding for the elderly feeding program from the Department of Agriculture to the Administration on Aging within HHS. Once this is accomplished, the administration also intends to introduce legislation that would consolidate the elderly feeding program with the other programs mentioned above

which fall within Title III of the Older Americans Act, into an aging services block grant to states. The justification for this consolidation is that states in 1983 made considerable use of the existing Older Americans Act provision which allows states to transfer up to 20% of the funds among the various Title III allotments. The budget indicates that $38 million was transfered from the congregate nutrition program for use in supportive services, home delivered meals, and state administration. In the administration's view, a single block grant would give states the flexibility to be responsive to state specific needs. The National Councils of State and Local Public Welfare Administrators, in their recommendations on the FY 84 reauthorization of the Older Americans Act, support retention of the separte Title III allocations but also support increasing to 25 percent the amount the states may transfer among programs.

The administration also intends to propose changes to Title V of the Older Americans Act—community service employment for older Americans—which appear somewhat less controversial than proposals made in earlier years. A politically popular program, Title V is currently administered by the Department of Labor, and approximately 70 percent of its funds are awarded to national organizations with the remaining 30 percent going to state agencies on aging. The administration initially proposed abolishing Title V only to retreat to a proposal to instead transfer Title V to HHS and consolidate it with a larger aging services block grant. Having encountered serious opposition to both proposals, the administration decided this year on a proposal to transfer administrative responsibility for the state grants portion of Title V to the Administration on Aging. Total funds would remain at the same level as FY 84, $247.5 million for national organization and $69.8 million for state programs, but the state grant portion would be allocated based on the formula contained in Title III.

The only aging program slated for a budget reduction is the aging training, research and discretionary program. In a repeat from last year's budget, the administration is proposing to reduce these "non-service" programs from $22 million to $5 million. Grants to Indian tribes are recommended for a $1.7 million increase to expand the number of tribes receiving support under Title VI of the Older Americans Act.

Developmental disabilities and rehabilitation services

After failing in its attempt last year to reduce the developmental disabilities program by 37 percent, the administration this year proposes to increase the state grants portion by $2 million, to a level of $54 million.

The vocational rehabilitation program is to be retained at the FY 84 funding level, $1 billion. The budget documents state that during FY 84 the Department of Education will investigate various caseload and performance trends to ascertain cases of wide variation in rehabilitation rates among states and changes in rehabilitation rates over time.

Family social services

This year's budget again reflects the administration's stated intention to focus on family issues. The family social services programs are to be increased by a total of $28 million. Ironically, however, the two programs targeted for increases are the Title IV-E foster care program—which provides payments for children removed from their homes (increased $20 million to $460 million)—and the Title IV-E adoption assistance program—which provides subsidies to families that adopt special needs children (increased $8 million to $13 million). Both of these programs are statutorily open-ended entitlements—with total federal expenditures based on valid submitted state claims. The Title IV-B child welfare services program, which supports reunification and preplacement preventive services programs for families to stay together, would be kept at $165 million, its FY 84 level.

The administration is proposing, as it did last year, to consolidate Title IV-B child welfare services with Title IV-B (Section 426) child welfare training grants. Last year, however, funding was to be eliminated for the training component and states were to be given the flexibility to pay for training from the services component. This year the proposal is to retain the FY 84 funding levels ($165 million for services and $3.8 million for training), while combining both activities into one program funded at $168.8 million. States would then be given the option to continue to support training activities or to channel the additional funds into direct services.

The budget mentions that legislation will be proposed to give states incentives for early reunification or other permanent placement for children. Given the administration's repeated efforts to cap federal funding for foster care, it is possible that this new "incentive" will be merely another version of the funding ceiling. The

budget also contains an FY 84 supplemental appropriation request of $38 million for allowable prior year foster care claims and $5 million for adoption assistance claims.

Other children's service programs

The Head Start program is recommended for an overall increase. Of the total $1.075 billion requested for FY 85, Head Start projects would receive $970 million (a $3 million increase); training, technical assistance and research would receive $25 million (a $3 million decrease); and nutrition programs would account for $80 million (a $4 million increase). The nutrition component is currently funded through the Department of Agriculture's Child Care Feeding program. For FY 1985, HHS is requesting this amount within its own budget, Head Start projects would receive the nutrition money directly as part of their Head Start grants. Interestingly, this same proposed shift from USDA to HHS was included in the FY 1984 budget with the caveat that "legislation will be proposed to allow projects to receive these funds directly as part of their Head Start grants." The FY 1985 budget states that legislation is now not necessary to effect this transfer.

It remains to be seen whether Congress, which has already expressed its displeasure with earlier HHS Head Start proposals, will allow HHS to accomplish this transfer administratively rather than legislatively.

As noted above, the runaway youth program, which had its appropriation doubled by Congress in FY 83 and increased again by Congress in FY 84, is proposed for a 55 percent reduction. Congress funded the program at $21.5 million in FY 83 and $23.2 million in FY 84. The administration, nonetheless, wants to return the runaway youth program to its FY 82 funding level of $10.5 million.

The budget, once again, proposes to repeal the separate legislative authority for adoption opportunties, child welfare research, and child abuse and neglect research projects and to fund these activities through a greatly reduced human resources R&D fund (see discussion below). The state grant portion of the child abuse program would be funded at the same level as provided for each of the last three years, $6.7 million.

Human resources R&D fund

"Non-service" activities are given a low priority in the FY 85 budget. Legislation will been sent to Congress to repeal the separate authorizations for the adoption opportunities ($1.9 million in FY 84), child welfare ($10.6 million in FY 84), and child abuse and neglect ($9.5 million in FY 84) research activities. Instead, the administration proposes creating a cross-cutting human resources R&D fund which would reduce the assumed duplication of effort. This fund would receive a total of $4 million in FY 85 or an 81 percent reduction from FY 84. R&D consolidation has been proposed for the last two years and each time rejected by Congress.

Other programs

As it has since coming to office, the administration recommends abolishing the Legal Services Corporation. No funds are requested for its operation in FY 85.

The adolescent family life program, one of the few social services programs for which the administration sought an increase in FY 84, is scheduled for a slight reduction in FY 85. Currently funded at $14.9 million, the FY 85 budget would provide $14.7 million for the program.

SOCIAL SERVICES BUDGET AUTHORITY

[In millions of dollars]

Funding program	Fiscal year 1983	Fiscal year 1984	Proposed fiscal year 1985
Social Services Block Grant	2,675.0	[1] 2,700	2,700
Community Services Block Grant	384.1	352.3	([2])
Aging Services—Title III	671.7	674.2	[3] 761.0
Senior Employment—Title V	319.5	317.3	317.3
Development Disabilities (State grants)	50.5	52.2	53.8
Rehabilitation Services (State grants)	943.9	1,003.9	1,003.9
Foster Care	395.0	440.9	460.3
Adoption Assistance	5.0	5.0	12.8
Adoption Opportunities	1.9	1.9	([4])
Child Welfare Services	156.3	165.0	[5]168.8
Child Welfare Training	3.8	3.8	.....

SOCIAL SERVICES BUDGET AUTHORITY—Continued

[In millions of dollars]

Funding program	Fiscal year 1983	Fiscal year 1984	Proposed fiscal year 1985
Child Welfare Research	10.6	10.6	(4)
Child Abuse and Neglect:			
State grants	6.7	6.7	
Projects	9.5	9.5	4 6.7
Runaway Youth	21.5	23.2	10.5
Head Start	912.0	995.8	6 1,075.1
Human Resources RD&E			4.0
Legal Services	24.0	275.0	(7)
Adolescent Family Life	13.5	14.9	14.7
Total	6,821.5	7,051.5	8 6,588.9

[1] After passage of the FY 84 HHS appropriations bill Congress raised the $2,675.0 billion SSBG ceiling to $2.7 billion. The $25 million increase must still be appropriated Congress.
[2] There are no funds requested for the Community Service block grant.
[3] This includes $116 million for the elderly feeding program currently funded by the U.S. Department of Agriculture.
[4] Funding for these programs is included in Human Resources RD&E.
[5] Legislation will be introduced to combine the child welfare services and training programs.
[6] This includes $80 million from the child care feeding program currently funded by the U.S. Department of Agriculture.
[7] No funds are requested for the Legal Services Corporation.
[8] The total is actually $6,392.9 if million USDA transfers are excluded.

NUTRITION PROGRAMS

Food stamps

President Reagan's budget request for food stamps proposes an FY 85 outlay of $10.8 billion. With the addition of the $825 million Puerto Rico Nutrition Assistance Block grant, the proposed food stamp budget would come to $11.6 billion. Projected administrative costs in FY 85 are $901 million. These costs include the federal share of state administration, storage, printing and destruction of food stamp coupons. The budget request is based on assumptions of a relatively stable economy, rising employment, and enactment of several cost saving measures. Legislative proposals are intended to trim food stamp cost by a total of $592 million. Increased expenditures due to the effect of changes proposed in the Aid to Families with Dependent Children [AFDC] would reduce total savings by $218 million, resulting in a net reduction of $374 million. The budget also includes a FY 84 supplemental appropriation request of $308 million. The supplemental is needed to ensure full benefits through the end of the fiscal year. Estimated FY 84 program costs with the addition of the supplemental would be $11.3 billion.

While the level of cost savings recommended by the administration this year is significantly less than previous years, the focus remains the same (i.e., program simplification, state liability for errors, work in exchange for benefits). In fact, the administration is reproposing three proposals made in the past. But, unlike previous years, direct household benefits reductions are not being sought. The program changes proposed by the administration are described below.

Error rate sanction

The single largest cost saving proposal would require states to pay dollar value of erroneously issued benefits exceeding three percent. Projected savings of $503 million are expected under this proposal. A graduated error rate reduction system was adopted in 1982, that sanctions states based on a portion of the federal share of state administrative costs. As a result, states are to be penalized for exceeding error rate tolerance levels of 9 percent in FY 83, 7 percent in FY 84 and 5 percent in subsequent years. Critics of the administration's proposal contend that it would exact far more stringent sanctions from the states. According to some estimates, state liability would almost double under the scheme.

Administration officials believe the proposed error rate system would serve as an incentive for states to improve program administration and reduce errors. Error rates are currently high, according to this view, because states do not contribute to the cost of benefits. Consequently, states do not have an incentive to ensure that program dollars are properly handled. State administrators, on the other hand, believe overly stringent penalties would be detrimental to long-range program qual-

ity. In order to improve program administration considerable state resources must be invested. The magnitude of sanctions that would be levied under the administration proposal, caution states, would severely hamper states' ability to research and develop program improvements. Equally important, administrators contend, the proposal would represent a cost shift to state treasuries. Similarly, hefty sanctions could serve to divert resources from other state programs serving the needy. Last year when this proposal was introduced, the Congressional Budget Office stated that it would have little if any effect on actually reducing errors.

Require categorical eligibility

To simplify the application process, the administration proposes categorical (automatic) food stamp eligibility for households that are eligible for AFDC benefits. Under current law, AFDC households do not have to pass a separate food stamp resource test but must meet all other eligibility conditions. The administration estimates $4 million sayings next year from this proposed change. Last year, the administration tied categorical eligibility to stanndardized benefits, a process that would have reduced the program's sensitivity to differing household circumstances. The current proposal, while freed from the linkage with benefits, could still present some problems for state administrators. For food stamp program purposes, a household includes parents and their children and adult siblings. Therefore, the food stamp unit may in fact be larger than the AFDC unit. At this point, it is unclear whether or not states would be required to provide categorical eligibility to the AFDC unit and separately determine eligibility for other persons who would otherwise be part of the food stamp household.

Mandate workfare

As a condition of eligibility, the administration proposes, as it did last year, that all able-bodied recipients be required to perform public service jobs. In exchange for program benefits, recipients would be mandated to work in community work experience programs [CWEP] established by the state. Estimated savings to the federal government of $85 million are anticipated. Currently, recipients aged 18 through 60, who are physically fit, are required to register for work and must accept jobs if offered. By law, the following categories of people are exempt from this requirement:

(1) persons complying with the work requirements of WIN under Title IV of the Social Security Act;

(2) persons responsible for a child under age 6 or age 12 if child care cannot be found, or someone who is incapacitated;

(3) students complying with student work rules;

(4) persons receiving unemployment compensation;

(5) persons involved in drug or alcohol treatment programs; and

(6) persons employed 30 hours a week or receiving a weekly wage equal to 30 times the minimum wage.

Presumably, federal savings would result from benefit terminations or reductions should recipients either fail to report to work or to work the required hours. The administration believes CWEP (i.e., workfare) would expose recipients to the responsibilities of the work environment. Further, local communities would benefit from the jobs performed by recipients. However, state and local administrators oppose mandatory work programs because the costs are believed to often outweigh the benefits. The expenditures involved in setting up the program, monitoring recipients and providing something more than make-work assignments can be substantial.

FOOD STAMP BUDGET PROPOSAL [1]

[In millions of dollars]

	1983	1984	1985
Current law budget authority	11,990	11,023	11,155
Proposed legislation		+308	[2] −374
Total budget authority	11,990	11,331	10,781
Current law outlays	11,839	10,928	11,145
(Administration)	(691)	(867)	(901)
Proposed legislation		+308	−374
Total budget outlays	11,839	11,236	10,771

[1] Puerto Rico assistance block grant is not included.
[2] Effect of new proposals for aid to families with dependent children will increase food stamp costs $218 million.

Child nutrition programs

The administration is also proposing a number of changes in the way other federally financed food programs operate. The FY 85 budget request for child nutrition programs is $4.03 billion, reflecting outlay cuts of $50 million and increased spending of $120 million.

School lunch eligibility

As proposed last year, state or local welfare agencies would become responsible for verifying income eligibility for free and reduced price meals. This proposal is intended to produce $37 million in savings. To help defray state and local administrative costs, $3 million would be provided. It should be noted that the FY 84 budget request provided $19 million for these costs. State administrators opposed this proposal because the burden on welfare workers would not be sufficiently offset by the additional funds. Another concern expressed by advocates is the potential that families with children eligible for reduced price meals (eligibility limited to those with incomes above 130 percent of poverty and not in excess of 185 percent of poverty) could be dissuaded from participating if required to visit welfare offices.

Non-school food assistance grant

In FY 85, the administration proposes the estabishment of a block grant of $443.7 million for state operated non-school child nutrition programs. The grant would replace two programs, the Child Care Food Program [CCFP] and the Summer Food Service Program [SFSP]. Funding in FY 85 would not be reduced from the level necessary to operate the programs under current law. At present, under USDA administration, commodities or cash reimbursement are provided for meals served by child care centers and for summer feeding programs operated by public or private non-profit organizations. The administration is proposing that funding under the block grant be unavailable to CCFP and SFSP programs that are not part of a state administered program. States would, therefore, be required to take over administration or see the programs lose funding.

Other Nutrition Programs

Women, infants, and children [WIC].—The FY 85 budget for WIC would be $1.25 billion, which is $200 million less than the current year authority. As a result, average participation would be limited to 2.7 million per month. In addition, the administration is requesting a $166.9 million supplemental appropriation for FY 84. This amount is substantially less than the $300 million supplemental the House and Senate Appropriations Committees believe is necessary to maintain the FY 83 monthly participation rate of 2.9 million. Congress provided partial year funding of $1.10 billion last year and instructed USDA to submit a supplemental request of $300 million to ensure participation at the FY 83 level. The administration has questioned the benefit of the WIC program to the health of mothers and children and believes that funds should be targeted to achieve the best results. Critics of the administration position contend that the program is successful but only serves about a quarter of those eligible. Supporters of WIC estimate that the reduced spending level could result in up to 500,000 people being cut from program rolls this year.

Emergency food assistance.—The administration is requesting $50 million of the $60 million authorized to continue the Emergency Food Assistance Program. As provided for under the P.L. 98–92, the funds would be used to defray the costs of surplus commodity distribution and storage.

[Attachment B]

A BILL To provide for Uniform Quality Control Systems for the Medicaid, Aid to Families with Dependent Children and Food Stamp Programs and suspension of sanctions and withholdings based on error rates in the State administration of these Programs otherwise applicable to the States pending the creation of such Systems.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,

SECTION 1. This Act may be cited as the "Uniform Quality Control Systems Act of 1983."

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds that

(1) There are currently three separate and inconsistent Quality Control Systems mandated by the Federal Government to measure the payment error rates

by the States in their administration of the Medicaid, Aid to Families with Dependent Children ("AFDC") and Food Stamp Programs;

(2) There are significant inconsistencies in how these three Quality Control Systems operate State by State;

(3) The purposes and uses of Quality Control Systems have become confused;

(4) The Federal Government has levied a variety of sanctions upon the several States based on these inconsistent and unreliable Quality Control Systems; and

(5) The issue of the purpose and use of Quality Control Systems and the manner and extent of sanctions to be levied on the States by the Federal Government in reliance upon such Systems must be resolved to assure fair treatment of the States.

(b) It is the purpose of this Act to provide by statute for uniform Quality Control Systems for the Medicaid, AFDC, and Food Stamp Programs, such Systems to be developed jointly by the Secretary of Health and Human Services and the Secretary of Agriculture in close consultation with the States and, pending establishment of such Systems as provided herein, for the suspension of all sanctions and withholdings otherwise authorized.

JOINT RECOMMENDATIONS

SEC. 3. (a) The Secretary of Health and Human Services and the Secretary of Agriculture shall jointly develop recommendations for the creation of Uniform Quality Control Systems for the Medicaid, AFDC and Food Stamp Programs. These recommendations should address, *inter alia*,

(1) current measurements of effective and efficient management in these three programs;

(2) reliability of current data on error rates;

(3) timeliness of current Quality Control Systems in providing information for corrective action;

(4) the causes of errors;

(5) the relevance of geographic, socio-economic, and programmatic differences among the States to error rates;

(6) the fairness of a uniform national tolerance rate for errors;

(7) the use of error rate sanctions as a management tool;

(8) the use of various statistical measures and assumptions for measuring error rates.

(b) Not later than eighteen months after the enactment of this Act, the Secretary of Health and Human Services and the Secretary of Agriculture, but only after close consultation with the States, shall present to the Congress for its approval their recommendations regarding reliable, fair and uniform Quality Control Systems for the Medicaid, AFDC, and Food Stamp Programs.

SUSPENSION OF SANCTIONS AND WITHHOLDINGS

SEC. 4. Pending approval by the congress of the Joint Recommendations provided for in Sec. 3 herein or of such other legislative act establishing uniform Quality Control Systems for the Medicaid, AFDC and Food Stamp Programs, no action shall be taken to enforce or collect the sanctions, withholdings or other financial penalties provided for by Section 1903(u)(1)(A) of the Social Security Act, 42 U.S.C. 1396b(u)(1)(A); Section 403(i)(1)(A) of the Social Security Act, 42 U.S.C. 603(i)(1)(A); P.L. 97-248 Sec. 156(e); 45 C.F.R. 205.41-42; 42 C.F.R. 431.801-02; and The Food Stamp Act Amendments of 1980 and 1982, 7 U.S.C. §§2011-2027 (and if any such sanction, withholding or penalty has already been enforced or collected, on or after April 1, 1983, and before the date of the enactment of this Act, the Secretary of Health and Human Services (or the Secretary of Agriculture for actions involving the food stamp program) shall pay or refund the amount of such sanction, withholding or penalty to the state immediately upon enactment of this Act).

[ATTACHMENT C]

NATIONAL COUNCIL OF STATE,
PUBLIC WELFARE ADMINISTRATORS,
Washington, DC.

GRANT DIVERSION

Whereas, there is a need to expand the variety of employment services to welfare recipients, and

Whereas, grant diversion is a tool to provide such services; and
Whereas, grant diversion works well for clients, human service agencies and private employers; and
Whereas, individual states are experiencing real success in permanent placements of welfare recipients in non-subsidized jobs using grant diversion; and
Whereas, current requirements for waivers to allow grant diversion are cumbersome to and time-consuming for federal and state personnel;
Therefore be it resolved, That the National Council of State Public Welfare Administrators actively pursue the drafting and introduction of legislation to make grant diversion a permanent state option in the AFDC program.
Passed by the NCSPWA Employment Committee on February 15, 1984.

[Attachment D]

NATIONAL COUNCIL OF STATE,
PUBLIC WELFARE ADMINISTRATORS,
Washington, DC.

WIN DEMONSTRATION PROGRAMS

Whereas, the Congress of the United States authorized WIN Demonstration programs to permit, flexibility in the efficient and effective administration of WIN at state levels; and
Whereas, twenty states are currently in WIN Demonstrations and would like to continue; and
Whereas, other states are interested in pursing WIN Demonstrations particularly given the reports of WIN Demonstration successes; and
Whereas, authority for states to begin WIN Demonstration expires on June 30, 1984; and
Whereas, limits on the admission of states to demonstration status and limits (3 years) on the length of demonstration seem arbitrary and for purposes of corrective action and evaluation, counterproductive;
Therefore be it resolved, That the National Council of State Public Welfare Administrators call upon the Congress of the United States to make WIN Demonstration a permanent option of the WIN program.
Passed by the NCSPWA Employment Committee on February 15, 1984.

Chairman FORD. Thank you very much, Mr. Frazier. The next witness will be Ms. Sharon Perry.

STATEMENT OF SHARON PERRY, COMMONWEALTH OF KENTUCKY, CABINET FOR HUMAN RESOURCES

Ms. PERRY. Thank you. I appreciate having the opportunity to come today. I am a manager of a policy development office in the Kentucky Cabinet for Human Resources. Today, I am here representing Secretary Al Austin of that cabinet.

As indicated in my written testimony, there are numerous issues that we could be discussing relative to the needs of those who are economically deprived, but as many of the other panelists are doing, I am choosing to address some of the ones that we consider the most pressing, those having some of the most serious adverse effects, and for the most part, the ones that are currently being considered by your committee and others in the pending bills.

Also, as you requested, I will address the cabinet's experiences with Public Law 98-8, and then will comment on the two pending AFDC bills.

In the past few years, when Federal funds have been reduced or eliminated, unfortunately, services in Kentucky have been eliminated in response. There has not been the ability to replace State dollars so that the services could continue. This is being done in

spite of the growing need for assistance for a variety of reasons. I have indicated two specifics that I am certain you are, at least in part, familiar with; there is the increasing poverty rate confirmed by the U.S. census and, in Kentucky, the growing caseload is also an indicator of increased need,

Even though there were over 10,000 AFDC cases discontinued in Kentucky as a result of the OBRA amendment in 1981, which represented over a sixth of our caseload, we have still had, in the last 2 years, an overall increase of 4 percent in that program. Four percent would not seem relevant if you did not remember that that is in spite of our initial cut of over a sixth of our caseload.

Unfortunately, there is a typographical error in the report I would like to correct, because it is a very important figure. Since 1970, the food stamp caseload in Kentucky has increased by over 250 percent, not 25 percent, and the increase since 1981 has been 12 percent, and, this, too, is in spite of those efforts to keep the caseload down due to the eligibility changes.

I point these out to stress the need that exists in Kentucky for assistance that has been eliminated with Federal funds being cut. This is one of the reasons that my testimony will focus primarily on some provisions in the administration's proposed budget bill that will serve to make this problem even worse in Kentucky.

The four areas of the budget bill proposal that I will comment on are the continuation of the MA penalty, the continuation of QC sanction—in fact, it will increase that sanction—opposition to mandatory work fare programs for all AFDC recipients, and the opposition to the shifting of even more costs to recipients through the mandatory copay provision in the Medicaid Program.

The first area I would like to discuss in the budget bill is the MA penalty. It is one of the more unusual penalties to have ever come along and one of the ones we object to more strenuously than any I have ever seen in my 10 years with welfare work. To make the annual MA penalty worse we don't know the level until the fiscal year is over and then it is applied back against what we would otherwise receive in our quarterly estimate.

That, in itself, should speak on its own merits as to why we oppose it, but, again, in response to that, Kentucky is having to cut services to medicaid recipients in an effort to avoid the penalty which can be avoided if you reduce MA expenditures low enough, or rather, you can recoup it.

We reduced our expenditures in Kentucky for fiscal year 1983 by over $27 million in the Medicaid Program, and that was out of an overall budget of about $470 million. Even though we did that, we still lost over $9 million in medicaid funds and will probably lose over $15 million in this fiscal year, which means that we will probably have another round of service cuts.

We think it is an unreasonable transfer of the costs to the States, which will mean cutting and the termination of services, and we recommend that this penalty be eliminated.

The next area I want to address is also an area of sanctions where the State can have fiscal sanctions imposed if their quality control error rate exceeds a preestablished level.

The proposal in the budget bill makes the sanctions even worse by reducing the amount for food stamps. In AFDC, the error toler-

ance for 1983 fiscal year was 4 percent and is 3 percent in all subsequent years.

In Kentucky, based on the most recent review period, the sanctionable rate was 4.8 percent. As a result, if that rate continues, we could lose approximately $5 million for that year, and our estimates are that that probably will continue.

Beginning the last part of fiscal year 1983, the MA tolerance levels are only 3 percent. Our average expenditures which can be sanctioned are $23 million monthly. Failure to meet those penalties by as little as one percentage point can result in a loss of over $2 million annually.

I would like you to especially keep that figure in mind as I go through this presentation to show you where we can easily pick up 1 percentage point.

By the way, that $2 million loses a purchasing power of over $6.7 million with the State. So, in essence, we have lost far more than the $2 million sanction.

In medicaid, the reason that the error rate is particularly disturbing when you think about losing $2 million per percentage point, and that is almost $7 million purchasing power, is that the sample methodology is such that we have experienced a fluctuation in the error rate of 2 percent and more as the result of one case.

The sample is based on cases, not dollars, and in the Medicaid Program, that limits itself to very invalid sanctions, because one case can have extraordinary medical costs.

I find it absurd that because we miswork one case, we can lose what amounts to either $7 or $14 million in 1 fiscal year.

In the food stamp program, the current error rate is 5 percent, and they are proposing to lower it—I am sorry, currently 7, in fiscal year 1985, it is 5, and the proposal is to lower it to 3 percent.

Based on experiences we have had since 1981 with monthly reporting and retrospective budgeting in AFDC, I expect that our error rate in food stamps will not be going down, but will be increasing because monthly reporting and retrospective budget are, by their very nature, error prone.

Kentucky has not yet been sanctioned for error rates, but there is certainly the real possibility that we can be. This is in spite of reports of the GAO and from independent auditors that the QC sampling methodology is invalid.

We have been recommending to several different congressional people and through State welfare agencies that there be immediate moratoriums on the quality control sanction.

I do know that the committee is working toward that, and I think it is my understanding that there was a meeting of the subcommittee last week. We will continue our effort to make sure that your peers are aware of our problem.

The third provision of the budget bill that we have some serious opposition to is the mandatory work fare program for all adult AFDC recipients.

We are not really opposed to the work fare program's principle. In fact, we have implemented several different versions of the work fare program in Kentucky, but we are opposed to a mandatory program for everyone for two primary reasons.

One is the cost could be phenomenal. Based on our experiences, we had a positive result from the work fare program if your goal is not to reduce expenditures.

If your goal is for immediate reduction of administrative costs, then you are going to be disappointed in the work fare program because we find the opposite is true. We do not have revenue to fund a statewide work fare program.

The second reason that we oppose it is because for some recipients in some geographic areas, a work fare program is not practicable. Take an area of eastern Kentucky where there is no transportation, and no child care, many work fare programs simply are not workable.

Another reason is that in some geographic areas in Kentucky, we sometimes have 50 percent of the population below poverty levels. The economic conditions of those counties do not lend themselves to a workable work fare program.

The last area of the budget bill I want to address is mandatory copayments.

The Kentucky Human Resources and Kentucky Legislature have considered that several times in the last few years. We always reject it.

Most recently, about a week ago, it was voted down in the State legislature primarily because it is a transfer of costs to recipients who cannot afford it.

In Kentucky, the gross income limit for one person to be eligible to receive medicaid is $183. People with income below that level do not have the money to pay even a modest copayment. As a result, they do not get the medicaid treatment that they need and in the long run, it is detrimental to their health and probably incurs more expensive medical bills than they would have had initially. We recommend that the copayment imposition be left optional.

I want to leave the budget bill now, and address something that is ongoing. Many other States have also commented on it, and that is opposition to mandatory monthly reporting and retrospective budgeting.

It was implemented by Congress in the belief that it would save money and reduce errors. That has not happened. In fact, in Kentucky, the exact opposite is true.

We have been doing this now for almost 3 years. We are experiencing an increase in errors as a result of the mandatory monthly reporting.

In our most recent QC review period, over one-fourth of our errors were errors as a result of monthly reporting and those were for cases that were otherwise eligible. They met every eligibility requirement and were receiving a correct AFDC grant amount, but failed to have the piece of paper in there to say they had correctly completed a monthly reporting.

And, again, remember that we may be losing $5 million in Kentucky because of our error rate, but if it were not for monthly reporting, we would be below the 4-percent level and these are cases that are eligible.

Of those cases we have reporting monthly, which is roughly 12,000, over 10,000 of them never report a change. Of the ones reporting a change, there are more that report changes that create a

grant increase than a grant decrease, and we are paying $80,000 a month in direct identifiable administrative costs in order to increase some grants, which are eligible, but we haven't saved any money. We increased the grant expenditure and administrative expenditures, and our error rates are 25 percent higher.

In food stamps, retrospective budgeting can create an equally ludicrous situation. I gave you an example that I would like to run through quickly now.

If, in March, we had a food stamp recipient receiving UI benefits and the UI benefits ran out, that person would report in April on his monthly report the receipt of UI in March because that is when he received it, even though he is not getting it in April. This forms the basis for his May coupon issuance. I know you have heard it before, but I can't resist repeating this story.

The first time his termination of UI benefits will be reflected in the amount of food stamps received by the family is June. Because of the fluctuating nature of those households receiving food stamps, in that they do go in and out of the employment market, many people receive food stamps only temporarily. By June, there is every likelihood that family will again have income.

So, not only have we not helped the family at a time when it needed the help, that is in April and May, we are now giving them a full food stamp allotment and encourage the wrath of the public for those people who say they don't need it because they are working.

Obviously, our recommendation, and the committee, I know, agrees, is that monthly reporting and retrospective budgeting be optional. We have also written many letters on this and will continue to do so.

The final area that I will attempt to address is our experience with the food and shelter assistance. I have far less direct personal involvement with that and will address it briefly.

Title I commodities is administered in Kentucky by Human Resources through 16 different contacts we have with emergency feeding organizations. We were having serious difficulty with that program prior to the Dole amendment.

The major difficulty we were having is not being able to anticipate when we would get food. The shipments were not reliable, there was no method to do advanced planning.

Now that we have the quarterly announcement of what is available and more reliable delivery system, we find that our major problems have been solved.

Unfortunately, the amendment that solved that problem greatly increased the recordkeeping and accountability that is required today.

We would have no problems with that if there were administrative funds that were sufficient, but, in Kentucky, we are accepting all food that is available to us—that is not true in many States—and we are giving out commodities to well over 300,000 households monthly.

We are doing this through contracts with organizations that are forced to use volunteers because we have such very low administrative funds. We had only $800,000 to do this with, so we take roughly half and they get roughly half which is virtually no money to

try and carry out this function. Therefore, they use volunteers. They keep the procedures as streamlined as possible. We are not aware of any serious problems that we have had, but we do not keep the kind of records and the kind of accountability the standard requires.

When you try to operate on the kind of money available to this program, you utilize volunteers. We need either more money or less stringent requirements. We could live with either.

Title II of Public Law 98-8 was also administered by my Department, again primarily through contracts that were awarded after review by a board of various nonprofit agencies that we put together to review the applications.

We feel like overall the program is very positive, and there is definitely a need for the food assistance. Some new emergency feeding programs and shelters were established and the ones that were in financial difficulty were able to continue and we would be supportive of seeing that effort reimplemented.

You asked for comments on the two bills that are pending. We are certainly in favor of H.R. 4326, and are very supportive, as you will note in my testimony, of some provisions in H.R. 4327, primarily making the reporting optional and putting a moratorium on QC sanctions.

We also are strongly in favor of changing the 150 percent test. In states like Kentucky with very low grant payments, that test creates a very inequitable situation when you look at it as compared with nationwide.

Our typical case is a mother and one child. The maximum payment for that case is $162. That in Kentucky is also the maximum income level.

That family could have gross income of only $243, that is less than half of the poverty standard. Since that is gross income, the family would have far less disposable income than that.

The same thing is true about the earned income disregard. States that have low payment levels are in a different situation than States with high payment levels. A flat disregard is probably acceptable in most States, but we would favor a provision giving states the option so that both of those, high payment and low payment States, would be treating the recipients more equitably. The option should be either a flat payment for disregards or a percentage of gross income, whichever is higher in the State.

That is not the proposal as it was presented, but we think it is a workable option.

I appreciate having the opportunity to come and applaud your interest in the area.

[The prepared statement follows:]

STATEMENT OF SHARON PERRY, COMMONWEALTH OF KENTUCKY, CABINET FOR HUMAN RESOURCES

I am pleased to be able to appear here today to address concerns of the Kentucky Cabinet for Human Resources. While there are numerous issues which could be discussed relative to the needs of economically deprived Kentuckians and steps that could be taken to assure those needs are met, my comments will be limited primarily to certain proposals in the administration's budget bill that would adversely affect the Cabinet's ability to meet those needs and to the adverse effects of monthly reporting and retrospective budgeting. Also, as the committee requested, I will dis-

cuss the Cabinet's experiences in administering the emergency food program authorized by P.L. 98-8 and will comment on two pending AFDC bills, H.R. 4326 and H.R. 4327.

In the past few years, when federal funds have been reduced or eliminated, services in Kentucky have been discontinued, rather than continued with state funding. These cuts have been made in spite of a growing need for assistance, as indicated by an increase in the number of people living below the poverty level and an increase in public assistance recipients. Recently, the Census Bureau released a study indicating the number of Americans living below the poverty level increased from 11.7% in 1979 to 15% in 1982. In Kentucky, there is a growing demand for cash assistance, medical assistance, and food stamps. The number of recipients of cash assistance has increased 4% in the last two years and medical assistance recipients have increased 8% in that time. In Food Stamps, the caseload has increased 25% since 1970. The increase since 1981 has been 12%.

Specific provisions in the budget bill which are of concern are:

—loss of funds through the MA penalty;

—loss of funds through the QC sanction;

—increased state expenditures for mandatory work programs;

—shifting costs to recipients through mandatory MA co-pay.

Currently, states lost substantial funds as a result of the Medical Assistance penalty. HCFA determines a target level of expenditures for each state annually. The target level moves each year based on the increase/decrease in the medical component of the CPI. However, the target level is not established until after the fiscal period is over. The penalty is applied to every state in advance through a reduction of the quarterly federal grant award. Services in Kentucky have been reduced by an estimated $27.3 million in FY 1983 in an effort to avoid the penalty. Even so, in FY 1983, Kentucky lost $9.7 million and we expect to forfeit an estimated $15.2 million in FY 1984 due to the penalty.

Even though the administration budget bill reduced the Medical Assistance penalty, it is still an unreasonable transfer of costs to the states. We recommend that it be eliminated.

The next area of concern is the policy regarding Quality Control sanctions. In the budget bill the administration indicated it expects to save $400 million through fiscal sanctions against states for errors in Aid to Families with Dependent Children, Food Stamps, and Medical Assistance. In fact, there is a proposal to revise the Food Stamp sanctions to make penalties even more stringent. Failure to meet the federally imposed error rate targets in Aid to Families with Dependent Children, Medical Assistance, and Food Stamps can result in sanctions applied against the federal share of administrative funds.

The error rate tolerance for the AFDC program is 4% for FY 1983, with states potentially liable for errors in excess of the 4% level. The tolerance will be reduced to 3% for subsequent years. Based upon the Quality Control findings for the April-September 1983 review period, Kentucky's sanctionable rate would be 4.8%. If that rate were to continue in FY 1984 when the tolerance level becomes 3%, Kentucky would lose approximately $5 million for that year alone.

Beginning in the third and fourth quarter of FY 83, states will be subject to fiscal sanctions for erroneous Medical Assistance expenditures greater than a 3% tolerance level. In a program such as Medicaid in which Kentucky's average monthly sanctionable expenditures are $23.0 million, failure to meet a payment error goal by as little as 1.0 percentage point would mean a loss of $163,000 monthly or $2.0 million annually in federal matching funds. This would result in a potential reduction in the state's buying power of about $6.7 million per year for every percentage point by which a goal is exceeded. Since we have experienced Medicaid error rates as high as 5.1 and 4.6 percent as compared to the goal of 3.0 percent for April 1983, there is a possibility that the potential withholding could be even double that amount. Losing $6.7 million per year for each percentage point above 3.0 percent is particularly disturbing when it is known that the sampling design yields large sampling errors since the sample is based on cases, not dollars, and one case can disproportionately skew the Quality Control results if the case had excessive medical bills.

In the Food Stamp program, states are required to lower their rates of error for overissuances and ineligibles to 5% by FY 85. The error rate for Kentucky cannot exceed 7% in FY 84. The goals of 7 and 5 percent for FY 84 and FY 85 are not at all realistic. It is our understanding that proposals to lower this even further to 3 percent are forthcoming. Based on the experience many states have had in AFDC with mandatory monthly reporting and retrospective budgeting, both of which are just now being required in Food Stamps, error rates are likely to increase as a result of

these federal requirements at the very time at which tolerance levels are being decreased.

Although Kentucky has not yet been sanctioned for error rates, there is a real possibility that we could be. The Government Accounting Office as well as independent auditors, however, have stated the Quality Control System on which error rates are based contains invalid data methodology as it is being used for sanctions. In both AFDC and Food Stamps, there are proposals underway to greatly reduce the sample sizes and to change to annual sampling. In fact, in the Food Stamp program, regulations to this effect have already been implemented and many states, including Kentucky, have adopted these reduced sample sizes. Although this will lessen the administrative costs of the quality control system, the validity of the data for both management and sanctions purposes will also be greatly lessened with the net result being that corrective action planning is greatly hampered while the chances of being erroneously sanctioned are greatly increased.

Each program I have discussed has a long history of complex and ever-changing federal laws and regulations. Since many of these mandated changes, such as mandatory monthly reporting and retrospective budgeting, have required almost complete overhauls of the way in which many states administer these programs and since many of the mandated changes are in and of themselves very highly error prone, it simply is not appropriate to penalize the states at all, much less at such unrealistically low thresholds, until there has been adequate time for states to implement the changes, revise the processes, clarify the issues, assess the impact on the error rates, implement necessary corrective actions, and evaluate the effects of these actions.

There is a need for legislative relief from the fiscal sanctions imposed as a result of Quality control error rates. We suggest an immediate moratorium on the sanctioning of any state for exceeding the federal error rate targets. The sanctions are based on a deficient Quality Control system which has major problems, as I have discussed, and can nevertheless result in the state's losing a substantial sum of federal monies in the administration of the AFDC, Medicaid, and Food Stamps programs. During the moratorium, the federal government could work with the states in finding solutions to the problems which currently undermine Quality Control in the three programs.

The budget bill also proposes that all adult AFDC recipients would be required to participate in some kind of work program. The Cabinet is committed to reducing welfare dependency and has in the past few years implemented several small scale work programs. We strongly oppose mandatory programs for all recipients, however, for two primary reasons. Large scale programs such as the one envisioned would cost several million dollars a year for administration and, based on our experience, would not be cost effective. Secondly, work programs are impractical for certain geographic areas and for certain recipients, for example, severely economically depressed areas or recipients who live in remote areas with no transportation or child care services. Work program should remain optional.

Another proposal which we oppose is mandatory co-payments in the Medicaid program for outpatient visits and inpatient hospital stays. The Cabinet for Human Resources has considered and rejected the imposition of co-payments several times in the past few years. It is the state's opinion that this provision would have a negative impact on Medicaid recipients because many of them will not have the co-payment amount at the time services are needed due to their limited income. The recipients might delay seeking treatment which would be detrimental to them and could ultimately result in higher Medicaid expenditures than would have been necessary if treatment were provided timely. We recommend that the imposition of co-payments be left optional.

An area which is causing serious difficulties for many states is mandatory monthly reporting and retrospective budgeting. Kentucky implemented mandatory monthly reporting in AFDC in 1981. It has proven to be an expensive and burdensome administrative procedure that is not achieving the desired results. Preliminary data for the most recent Quality Control review period indicates that one-fourth of all AFDC errors were monthly reporting errors for cases that were otherwise technically eligible. Our data indicates that the discontinuance rate has not increased and the amount of grant increases made as a result of monthly reporting exceeds the instances in which the grant decreased. Identifiable administrative costs exceed $800,000 annually.

In the Food Stamp program, retrospective budgeting creates a problem for the recipients which we attempt to help during crisis situations. Due to acting on circumstances which existed in prior months, we are not able to meet a client's needs at the time it exists. For example, if someone who is receiving UI benefits has these

benefits expire on March 31, the income received in March is reported to our agency in April to form the basis for the May Food Stamp allotment. The first time the increased need would be reflected would be June. By then, the recipient may very well have income from another source.

Monthly reporting and retrospective budgeting for both AFDC and Food Stamps should be optional.

As the committee requested, I will briefly discuss the administration of emergency food and shelter assistance funds authorized by P.L. 98-8. In Kentucky, this program is administered by the Cabinet for Human Resources pursuant to an agreement with the United States Department of Agriculture. For Title I, the commodities program, the Cabinet contracts with 16 emergency feeding organizations for the actual distribution of commodities. Prior to the Dole amendment in September of 1983, we had little control over what food we would receive and frequently had very short notification of when we would receive it. The new procedures for advance notice have provided the mechanism for necessary advance planning. On an average, over 320,000 households receive food each month. Kentucky is accepting all the food which is available. The existing structure, however, could probably not handle transporting, storing, and distributing any additional quantities at this time.

The increased federal controls and record-keeping requirements imposed by the Dole amendment are, however, creating administrative problems, due primarily to insufficient administrative funds. Since funds are so low, the emergency feeding organizations find it essential to utilize volunteers and to streamline distribution as much as possible. We believe it is necessary to either increase funding or reduce controls. We also need more flexibility to determine, at a state level, whether there are program abuses by the emergency feeding organizations.

Title I of 98-1 was also administered by our Cabinet. We established a board representing several private non-profit agencies to review applications from any agency operating a feeding or shelter program who wanted to apply for the food and/or money. A workshop was held to explain the program and distribute applications. Criteria for agency selection included poverty level in the county, the unemployment rate, cost efficiency of the service, and past performance, among others. After the applications were reviewed, the Cabinet entered into contracts with selected agencies, and entered into a contract with United Way for them to serve as fiscal agent for the program.

We consider that the overall results of this program were positive. Some new feeding programs were established and others that were in financial difficulty were able to continue functioning. Also, the program bridged a gap created by other program cutbacks. We would be supportive of re-implementation of this type program with basically the same guidelines as existed previously. It would be beneficial, however, if there were more lead time given and if guidelines on program intent were issued prior to implementation.

You also requested the Cabinet's comments on HR 4326 and HR 4327. We support all the proposals in HR 4326. In HR 4327, we strongly support the postponement of fiscal sanctions due to Quality Control errors and the proposals making monthly reporting and retrospective budgeting optional. We also favor disregarding the earned income tax credit when determining countable income. Repealing the gross income limit as proposed in the bill would be especially beneficial to recipients in states that have low AFDC payments. In Kentucky, the typical AFDC case is a mother and one child. The maximum payment for this case is $162; thus, that family could have gross income of only $243 and still be eligible under the gross income test. This is less than half of the poverty level for two people. Altering the amount and the order of computing earned income disregards also has different effects in a state with low payment levels than in states with high payments. In a state with high payments which allows people with higher income to receive a grant, the flat standard is probably inadequate. This, however, is not true in states with low payments. To be equitable in this situation, we would favor a provision giving states the option of considering the flat standard or 20% of gross earnings, whichever is higher.

Chairman FORD. Thank you, Ms. Perry.

We do have our witnesses from Mississippi here, the director of the Mississippi Division of Social Services, Mr. Morris Priebatsch, and also the director of the Mississippi Division of Assistance Payments, Ms. Barbara Bewley, and we recognize you at this time.

STATEMENT OF BARBARA BEWLEY, DIRECTOR, ASSISTANCE PAYMENTS, AND MORRIS J. PRIEBATSCH, DIRECTOR, SOCIAL SERVICES, MISSISSIPPI STATE DEPARTMENT OF PUBLIC WELFARE

Ms. BEWLEY. Thank you. Mr. Chairman and committee members, I am Barbara Bewley, director of assistance payments, State of Mississippi. I am very glad to be here today and thank you.

We all know what the basic human service needs are, adequate food, clothing, shelter, medical care, education, dignity, the chance to become self-supporting and no longer dependent on others, and hope for a better life for their children.

For ADC recipients, money and medicaid supply part of these needs. They have increased over the past few years because of inflation, high unemployment, and the cutback in many subsidized work programs, lack of funding for child care, and the dire financial straights of States to maintain the funding that they have had in the past 4 or 5 years. And States can't help for the same reasons.

In other words, the downturn in the economy, high unemployment, and a limited tax base.

Mississippi has the lowest per capita income because many of its people are uneducated and lacking in skills. Industry is slow to come to Mississippi because of the lack of trained labor.

We also have one of the highest teenage pregnacy rates in the Nation. This increases the need for ADC because these young mothers are not able to support themselves. A disproportionate number of mothers getting ADC are teenage mothers. In fact, 60 percent of women on ADC had their first baby as a teenager.

The needy parents and children of today are those who are uneducated, unemployed, sick, and lacking incentive. For many, it is only a temporary stage brought on by loss of a job or loss of a supporting parent. Most are able to restructure their lives and become self-supporting within a year or two. For others, it is a way of life.

Existing programs are responding to these needs. There is a lot of feeling that public welfare agencies are not doing a good job. In reality, we think they are doing an excellent job considering the complex policies and the time we have to implement policy and the case loads we carry.

Weighing the tremendous deficits, both at the State and Federal level, we cannot afford to restore all the social welfare programs that have been provided in the past.

Mississippi eligibility workers carry the highest case loads, are the lowest paid, and yet maintain one of the lowest error rates in the Nation. We boggle their poor minds with constant changes, not enough time to learn new policy before another change is made, error rates, corrective action, production, timeframes, having to learn more than one program, complicated budgeting, exceptions, IV-A, IV-D, and the forgotten.

The needy are incidental. It is no wonder that our workers suffer from the "General Custer syndrome," which we call, the only good case is a closed case.

What we need is consistency, simplification, and sufficient time of at least 90 to 120 days to implement changes. This would enable

policy to be clearly written, questions answered before implementation, forms changed, and workers trained. The result would be fewer overpayments, underpayments, and errors. The needy could be helped sooner and more efficiently, and fraud and ineligibility would be reduced.

Resources need to be targeted into the existing programs and funding provided to only the programs that are cost effective and help the needy the most. Family planning needs to be given all the support possible. Those persons that commit fraud and abuse need to be dealt with quickly, severely and yet fairly.

As incentive, States should be allowed to retain for ADC purposes, a portion of the moneys which they recover. This would allow us to provide more for the neediest and possibly increase our grants or the percentage reduction of the need standard. Mississippi's grants are the lowest in the Nation. Our maximum payment for one child is $60 a month.

Comments on H.R. 4326 and H.R. 4327. Pilot projects are an excellent way of demonstrating whether or not a proposed concept will work or improve the previous methods and yet be cost effective.

This appears to be a logical approach to simplify service delivery by coordinating Federal regulations and unduplicating eligibility process.

Welfare officials have long known that coordination of regulations between the programs is needed. It may take a pilot project to prove this, and we would recommend one for any State that wished to undertake one.

We have decided that some of the following things need to be done to insure a successful pilot project. Congress would have to legislate a law that provides for uniformity and coordination among all programs involved. Funds would have to be appropriated within a preset timeframe and these would have to include administrative costs.

And, national and regional technical assistance staff should be available as requested on an as needed basis.

There are some positive and negative considerations that would have to be weighed before agreeing to under the projects—pilot projects.

Some of the positives are: we have common terms and definitions; unified planning, assessment, and evaluations; uniform eligibility determination procedures; a consolidated umbrella agency; single-case record; generic workers; more efficient service delivery; and reduction of administrative costs.

Some of the negatives are: when the project is over, recipients would have to be merged back into the previous system; the workers would have to be retrained or released; clients may have their benefits terminated or reduced when the project is over; all policy and forms for all programs would have to be revised, rewritten and issued.

This would take an enormous amount of staff time and be costly. At the end of the project, staff would again have to be retrained or terminated. Two computer reporting processes would have to be maintained, and innumerable waivers would be needed.

Regarding H.R. 4327, these are controversial proposals mostly dealing with the treatment of earnings and earned income disregards. It would appear that they would repeal or even restore, or in some cases, even increase the cuts made with OBRA.

The case loads would increase to pre-OBRA levels and probably go even higher. They are more liberal than they were at that time. Earned income disregards are good incentive if they are given for a temporary period, but if given permanently, they discriminate against those who don't qualify for ADC and yet earn the same amount of money.

It appears to us that further cuts in the welfare programs being proposed that reinstating the cuts already made by Congress, is not appropriate at this time.

Thank you.

Chairman FORD. Thank you very much.

Mr. Priebatsch; I may not be pronouncing your name correctly, but if you would state it correctly for the record, if you don't mind?

Mr. PRIEBATSCH. Priebatsch.

Chairman FORD. Priebatsch. All right,

You may proceed.

Mr. PRIEBATSCH. Gentlemen, I am Morris Priebatsch, director of social services, Mississippi Department of Public Welfare, Jackson, MS.

I appreciate this opportunity of appearing here before the Subcommittee on Public Assistance and Unemployment. My remarks will be very brief.

There are segments of the population which, under the best circumstances, and regardless of the socioeconomic pressures, will either require or seek certain human services. These are the dependent groups regardless of age, the elderly, the infirmed, the sick, the physically handicapped, the emotionally and/or mentally handicapped, the unemployed, and those children and adults victims of family breakdowns and disruptions.

Most individuals in our society with average intelligence, some education, and a vocational skill can purchase or secure their own basic food, clothing, shelter, medical services, education and vocational training. And, in most instances, their earnings are deemed to be sufficient to purchase their basic needs.

In a depressed economy, there is a greater tendency for social and economic problems to proliferate, adding to the already existing number of individuals and families needing human services. Thus, today, due to the high unemployment and inflation, there are an increasing number of individuals qualifying and seeking human services and who, under better circumstances, would not need or seek these services.

Consequently, human services agencies are experiencing serving both that portion of the population which would normally be expected to need and seek services, plus a new group.

At no time in the history of human services have both private and public agencies been able to meet all of the needs in terms of quantity and quality. However, the poverty line which determines eligibility for certain services continues to change, making more individuals eligible as well as seeking services.

The human services programs can and have responded to many of these needs. Agencies and staff have geared up to accommodate and provide as many services as possible, even though funds and resources have been limited and taxed to capacity.

However, due to the additional demands on the social services delivery system, agencies have had to establish priorities on the services made available, duration of the services, and a limitation on the number of individuals and families to receive the services.

Perhaps one of the greatest needs is access or means of reaching the services. Thus, in a predominantly rural state, as Mississippi, transportation is a primary need in order for many people to reach or obtain a human service. Many persons, due to the lack of transportation, are unable to obtain services which are available.

While congressional funds have greatly aided certain groups and individuals through the purchase and operation of vans and buses, as well as the use of volunteers who have been recruited to provide transportation, there still remains a large segment of the population which are without access to available transportation.

These people either have no funds to purchase transportation, or live where no public or private transportation is available to them. Transportation in this day and time is a necessity, not a luxury. In this area alone, Congress could do much to assist the States in alleviating this chronic and acute problem, public transportation.

Any legislation which would set forth a national policy on public transportation with specific goals and objectives would aid considerably.

Any legislation which encourages States and local communities to move in the direction of improving its transportation systems would be of great benefit to the general public as well as those individuals and families seeking and needing human services.

Mississippi has greatly benefited from the social services block grant which was formally known as title XX, and which was amended by Public Law 92-35 Omnibus Reconciliation Act of 1981.

These funds have provided services and jobs. In all, there are 28 services the Department of Public Welfare either directly provides or purchases from service providers.

Of great benefit has been Public Law 98-8. Even though these funds expire September 30, 1984, Mississippi has been able to make good use of them in providing social services such as the employment of 61 homemakers and 51 case aides to assist our county case workers.

These 112 persons employed for a limited time not only have assisted in preventing family disruptions, but have secured gainful and meaningful employment which otherwise was not available to them.

Public Law 98-8 has enabled us to establish two job clubs for the training of unemployed persons in learning how to seek and secure employment from the private business sector.

Public Law 98-8 has enabled us to assist domestic violence shelters to either expand or continue operation. We have purchased care for children in therapeutic group homes and in specialized foster boarding homes. For some teenage parents with infants, we have purchased for them courses in parenting skills.

These funds have enabled us to have a statewide WATTS line to assist us in placing for adoption special needy children. All of these services have been helpful. The flexibility permitted by Congress has enhanced the ability of Mississippi to use the funds where needed the most in providing social services.

We hope Congress will consider another bill similar to Public Law 98-8 for fiscal year 1985.

We hope Congress will look carefully at the needs of the States in human services so the goals of the Omnibus Reconciliation Act of 1981 will continue to be in place to encourage the States where Federal funding is involved to work toward using funds to reach goals of assisting individuals and families to obtain self-support, self-sufficiency, the prevention and remedying of neglect, abuse, or exploitation, the preventing of inappropriate institutional placements, and the arranging for appropriate institutional placements.

With these goals and objectives in mind, with Congress and the States working together, we can provide the human services which will enable many individuals to become productive citizens and at the same time, strengthen family life so that each child and adult can reach his or her greatest potential.

These, gentlemen, are the things that we find that are both useful in social services and what Congress has done in the past year has been very helpful to us, and we thank you for your attention and consideration of our remarks.

[The prepared statement follows:]

STATEMENT OF BARBARA BEWLEY, DIRECTOR, ASSISTANCE PAYMENTS AND MORRIS J. PRIEBATSCH, DIRECTOR, SOCIAL SERVICES, MISSISSIPPI STATE DEPARTMENT OF PUBLIC WELFARE

We all know what the basic human service needs are—adequate food, clothing, shelter, medical care, education, dignity, the chance to become self supporting and no longer dependent on others, and hope for a better life for their children. For ADC recipients money and Medicaid supply part of these needs. These needs have increased or changed in the past few years because of inflation, high unemployment, the cut back in many subsidized work programs, lack of funding for child care, and the dire financial straits of states to maintain the funding they have in the past 4-5 years. States can't help more for some of the same reasons, i.e., downturn in the economy, high unemployment and a limited tax base. Mississippi has the lowest per capita income because many of its people are uneducated and lacking skills. Industry is slow to come to Mississippi because of lack of trained labor.

Mississippi also has one of the highest teenage pregnancy rates in the nation. This increases the need for ADC because these young mothers are not able to support themselves. A disproportionate number of mothers getting ADC are teenage mothers. Sixty percent of women on ADC had their first baby as a teenager.

The needy parents and children of today are those who are uneducated, unemployed, sick and lacking incentive. For many it is only a temporary stage brought on by loss of a job or loss of a supporting parent. Most are able to restructure their lives and become self supporting within a year or two. For others it is a way of life.

Existing programs are responding to these needs. There is a lot of feeling that Public Welfare Agencies are not doing a good job. In reality they are doing an excellent job considering the complex policies the time we have to implement policy and the caseloads we carry. Weighing the tremendous deficits, both at the State and Federal level, we cannot afford to restore all the social welfare programs we have provided in the past.

Mississippi eligibility workers carry the highest caseloads, are the lowest paid and yet maintain a very low error rate. We boggle their minds with constant changes, not enough time to learn new policy before another change is made, error rates, corrective action, production, time frames, having to learn more than one program, complicated budgeting, exceptions, IV-A, IV-D, and the forgotten. The "needy" are

incidental. It's no wonder workers suffer from the "General Custer Syndrome", that is, the only good case is a closed case.

What we need is consistency, simplification and sufficient time of at least 90 to 120 days to implement change. This would enable policy to be clearly written, questions answered before implementation, forms changed and workers trained. The result would be fewer overpayments, underpayments, and errors; the needy could be helped sooner and more efficiently; and fraud and ineligibility would be reduced.

Resources need to be targeted into the existing programs and funding provided to only the programs that are cost effective and help the needy the most. Family planning needs to be given all the support possible. Those persons that commit fraud and abuse need to be dealt with quickly, severely and yet fairly. As incentive, states should be allowed to retain for ADC purposes, a portion of the monies which they recover. This would allow us to provide more for the neediest and possibly increase our grants or the percentage reduction of the need standard. Mississippi's grants are the lowest in the nation.

COMMENTS ON H.R. 4326 AND H.R. 4327

H.R. 4326

Pilot projects are an excellent way of demonstrating whether or not a proposed concept will work or improve the previous methods yet be cost effective. This bill appears to be a logical approach to simplify service delivery by coordinating federal regulations and unduplicating eligibility process. Welfare officials have long known that coordination of regulations between programs is needed. It may take some pilot projects to prove this and we would recommend a project be implemented in any state that wished to undertake one.

Following are some things that would need to be done to insure a successful pilot project;

A. Congress would have to legislate a law that provides for uniformity and coordination among all programs involved.

B. Funds would have to be appropriate within a pre-set time frame and these funds would need to include administrative costs.

c. National and Regional technical assistance staff should be available as requested on an as needed basis.

There are some positive and negative considerations that would have to be weighed before agreeing to undertake this pilot project.

Positives:

Common terms and definitions.
Unified planning, assessment and evaluations.
Uniform eligibility determination procedures.
A consolidated umbrella agency.
Single case record.
Generic workers.
More efficient service delivery.
Reduction of Administrative costs.

Negatives:

When the project is over, recipients would have to be merged back into the previous system.

Workers would have to be retained or released.

Clients may have benefits terminated or reduced when project is over.

All policy and forms for all programs would have to be revised, rewritten, and issued. This would take an enormous amount of staff time and be costly.

At the end of the project, staff would have to be retained again or terminated.

Two computer reporting proceses would have to be maintained.

Innumerable waivers would be needed.

H.R. 4327

These are controversial proposals mostly dealing with the treatment of earnings and earned income disregards. It appears they would repeal, restore, or even increase the cuts made with OBRA. The caseloads would increase to pre-OBRA levels and probably go even higher. Earned income disregards are good incentive if given for a temporary period but if given permanently they discriminate against those who don't qualify for ADC and yet earn the same money.

It appears that with further cuts in welfare programs being proposed that reinstating the cuts already made by Congress is not appropriate at this time.

SOCIAL SERVICES PROGRAM

There are segments of the population which, under the best circumstance and regardless of the socioeconomic pressures, will either require or seek certain human services. These are the dependent groups regardless of age the elderly, the infirmed, the sick, the physically handicapped, the emotionally and/or mentally handicapped, the unemployed, and those children and adults victims of family breakdowns and disruptions.

Most individuals in our society with average intelligence, some education, and a vocational skill can purchase or secure their own basic food, clothing, shelter, medical services, educations and vocational training. And in most instances their earnings are deemed to be sufficient to purchase their basic needs.

In a depressed economy there is a greater tendency for social and economic problems to proliferate adding to the already existing number of individuals and families needing human services. Thus today due to the high unemployment and inflation, there are an increasing number of individuals qualifying and seeking human services and whom under better circumstances would not need or seek these services. Consequently human services agencies are experiencing serving both that portion of the population which would normally be expected to need and seek services plus a new group. At no time in the history of human services have both private and public agencies been able to meet all of the needs in terms of quantity and quality. However, the poverty line which determines eligibility for certain services continues to change making more individuals eligible as well as seeking services.

The human service programs can and have responded to many of these needs. Agencies and staff have geared up to accommodate and provide as many services possible even though funds and resources have been limited and taxed to capacity. However, due to the additional demands on the social services delivery system, agencies have had to establish priorities on the services made available, duration of the services, and a limitation on the number of individuals and families to receive the services.

Perhaps one of the greatest needs is access or means of reaching the services. Thus in a predominantly rural State as Mississippi transportation is a primary need in order for many people to reach or obtain a human service. Many persons due to the lack of transportation are unable to obtain services which are available.

While Congressional funds have greatly aided certain groups and individuals through the purchase and operation of vans and buses, as well as the use of volunteers who have been recruited to provide transportation, there still remains a large segment of the population which are without access to available transportation. These people either have no funds to purchase transportation, or live where no public or private transportation is available to them. Transportation in this day and time is a necessity, not a luxury. In this area alone Congress could do much to assist the States in alleviating this chronic and acute problem—public transportation.

Any legislation which would set forth a national policy on public transportation with specific goals and objectives would aid considerably. Any legislation which encourages States and local communities to move in the direction of improving its transportation systems would be of great benefit to the general public as well as those individuals and families seeking and needing human services.

Mississippi has greatly benefitted from the social services block grant which was formally known as Title XX, and which was amended by Public Law 92-35 Omnibus Reconciliation Act of 1981. These funds have provided services and jobs. In all there are twenty-eight services the Department of Public Welfare either directly provides or purchase from service providers.

Of great benefit has been Public Law 98-8. Even though these funds expire September 30, 1984, Mississippi has been able to make good use of them in providing social services such as the employment of 61 homemakers and 51 case aides to assist our country caseworkers. These 112 persons employed for a limited time not only has assisted in preventing family disruptions, but have secured gainful and meanful employment which otherwise was not available to them.

P.L. 98-8 has enabled us to establish two job clubs for the training of unemployed persons in learning how to seek and secure employment from the private business sector. P.L. 98-8 has enabled us to assist domestic violence shelters to either expand or continue operation. We have purchased care for children in therapeutic group homes and in specialized foster boarding homes. For some young teen-age parents with infants we have purchased for them courses in parenting skills. These funds have enabled us to have a state-wide wats line to assist us in placing for adoption special needs children. All of these services have been helpful. The flexibility permitted by Congress has enhanced the ability of Mississippi to use the funds where

needed the most in providing social services. We hope Congress will consider another bill similar to P.L. 98-8 for fiscal year 1985.

We hope Congress will look carefully at the needs of the States in human services so the goals of P.L. 97-35 will continue to be in place to encourage the State where Federal funding is involved to work toward using funds to reach goals of assisting individuals and families to obtain self-support, self-sufficiency, the prevention and remedying of neglect, abuse or exploitation, the preventing of inappropriate institutional placements and the arranging for appropriate institutional placements.

With these goals and objectives in mind, with Congress and the States working together, we can provide the human services which will enable many individuals to become productive citizens and at the same time strengthen family life so that each child and adult can reach his or her greatest potential.

WORK INCENTIVE PROGRAM

The basic human service needs of our citizens remain relative—the need for food, shelter and clothing to satisfy basic human instincts must be met. Assisting the individuals who are today struggling to meet the basic human survival needs to search, obtain, and retain suitable training/employment is, in my opinion, a most critical element in reducing ADC and food stamp rolls in our State and across the nation.

Because of our high employment rate in Mississippi (in January, 1984, we reached a high 11% once again), these needs are steadily increasing. An increase in unemployment also means that child abuse and neglect, alcoholism, and crime are on the rise. Another "Administrative Round" of budget cuts in human service programs could result in irreparable damage to our system.

One such program designed in 1967, to meet employment/training needs of our welfare population through parts A and C of Title IV of the Social Security Act, was the Work Incentive Program which has suffered drastic cuts by the Administration—yet every single employment/training program being proposed and enacted by the Administration appears to utilize WIN regulations as a program base. We are now operational in only six of 82 counties in Mississippi because of the previous 34% federal budget reductions, and in these counties, approximately 3,000 of the 6,000 individuals registered for employment/training lie dormant in our files because of inadequate staff/funding.

The needy today are a new breed—Low middle income individuals who have experienced lay-offs from factories and other industries that once offered security for these individuals and their families.

The human service programs, like this one, are drained. Continuation of budget cuts mean fewer and fewer individuals, who never wanted to chose welfare assistance as a career, will not be provided an opportunity to once again achieve self-sufficiency. JTPA, the employment/training program, which is supposed to cure our unemployment/training ills should be reevaluated during this nine month trial stage as there is an apparent breakdown between those who sit on Private Industrial Councils and human service administrators as to the Employment/training ability of a majority of the welfare population (food stamps and ADC recipients). To my knowledge no Welfare Administrator sits on either of the three PIC Councils in our State—this, in itself, means a breakdown in coordination of occupational training/employment for the needy.

As simple as it sounds, Congress should stop and listen and stand firm on realistic approaches to meet the increasing human service needs across the nation. There remains a lot of "myth" mixed with the reality of human service program budget reductions. Congressional committees should conduct more field hearings—like this one, and should become more involved with the NGA, APWA, and other Human Service Organizations.

FY 1985 BUDGET PROPOSALS

The WIN Program is not, to my knowledge, included in the Presidents' 1985 Budget Request although OMB has proposed that WIN be lumped in with JTPA and Job Corps and all programs be totally reduced by 356 million or nine percent below current funding levels. Speculation rests that WIN, though only a 270 million dollar program, will be the candidate among these three programs to suffer the most severe cuts. Yet, there is no other effective program designed to provide such employment/training services to the welfare population.

P.L. 98-8 SELF-DIRECTED JOB SEARCH

Of the $2,598,332 which was allocated to Mississippi in the P.L. 98-8 Social Services Block Grant, $400,000 was retained by the WIN Unit to establish Self-Directed Job Search sites in our Metropolitan Jackson Area and our Gulfcoast Area. The theory to teach basic job skills to welfare applicants and recipients, and then to provide supportive services such as child care, dental, etc. to these individuals while they independently search for employment in the "very evident hidden labor market" is a concept that has swept our nation because of the positive results that demonstration projects (TRIP in Mississippi) have achieved. We are emphasizing this concept once again and are experiencing success.

Administrative cost per placement falls within a range of a low $276 per participant to $400 per participant. Out of 76 "economically disadvantaged" (definition based on DOL poverty income guidelines) individuals who have participated in Job Skills/Job Search, 38 or 50% have obtained jobs independently, and on this date remain employed. This is a "plus", as the Administration has never seemed to design an employment/training program which focuses on "job retention", as usually only a thirty-day follow-up is required to obtain job placement credit by Department of Labor. We are projecting that 100 of the 200 individuals who participate in the project during a twelve month timeframe will obtain jobs.

FOOD STAMP PROGRAM

Food is essential to survival, and a nutritious diet is essential to healthy survival. Of all of the human services needs, this need has to rank among the most important, and the Food Stamp Program continues to be the cornestone of the range of services that contribute to health and well-being. The fact that twenty (20) percent of Mississippi's citizens receive food stamps is evidence of the dire need of this service in our State. This need extends to those who are unable to provide for themselves as well as to those who ae temporarily in need due to unavailability of employment.

While the Food Stamp Program was designed to provide resources, in the form of food coupons, to enable those in need to obtain a nutritious diet, there are obvious shortcomings which must be addressed. Among these:

1. Over the years, a common complaint among recipients has been the failure to reach the goal of alleviating hunger. Most feel that an increase in allotment levels is the answer, and there is no question that this factor should be explored. However, we must also consider whether we have failed recipients by providing the resources without imparting the knowledge necessary to make maximum use of these resources in attempting to achieve and maintain an acceptable nutritional level. Nutrition education, of course, is and should be the province of an Agency or Department in which expertise in health related matters is inherent. Adequate funding should be allocated accordingly.

2. Fraud, waste and abuse is and should be of concern to the general public. There appears to be a tendency to place blame at the State level without giving consideration to the fact that States are bound by Federal regulatory provisions which in some instances act to inhibit State efforts in maintaining program integrity. The National Food Stamp Task Force, composed of both State and FNS representatives, addressed some of the issues about two years ago. A case in point is the prohibition, with no exceptions, against allowing an eligibility worker to make a collateral contact without permission from the household. This means, of course, that a household that withholds income information can, upon discovery, refuse to allow the worker to obtain the information necessary to determine the amount of overissuance.

3. There is also unintentional waste and abuse due to the complexity of the Program. This complexity, which can be attributed primarily to the regulations rather than the law, is such that it is difficult for Agency personnel and almost impossible for food stamp recipients to understand. Obviously, when complexity reached a level that equates with inability to understand, the Program suffers, both form a recipient as well as an administrative standpoint. Complexity is magnified by itemized deductions. Where possible, standardization would simplify for both the recipient population and the administrating agency. We favor standardization, with special provisions in the form of larger standardized deductions for the elderly and disabled.

Simplification is needed throughout the regulations, and the working draft of the "Williams" rewrite would tend to indicate recognition of this need. However, a cursory review of this working draft indicates not only simplification but a number of changes without any indication of allowing more State flexibility in terms of state options. This pseudo-simplification can only leave us with unanswered questions,

and Mississippi has seen an increasing trend away from guidance and assistance by the FNS Regional Office. If we are to be subject to interpretations of which we are not aware, we cannot compete with Federal Quality Control Reviewers who obviously will be privy to those interpretations.

4. Since implementation of the 1977 Food Stamp Act on March 1, 1979, we have lived in a state of constant change. The result has been an inability to become well versed in a program which is complex at best, and those who suffer the consequences are the needy citizens of this State. They are subject to hardship if benefits are not properly determined. Similarly, the State may be subject to sanctions for excessive error rates, in which case administrative funding will be reduced, thereby further decreasing the ability of the State to adequately serve the nutritional requirements of its needy citizens. We are desperate for program stability.

5. The continuing existence of this worthwhile program could rest to a large degree on an error rate system which does not reflect an accurate picture. It certainly does not reflect accurately the value of dollars misspent. Let us point out one glaring example. For those households required to monthly report, submission of that report is considered an eligibility factors by FNS. Beginning in October, 1984 if the Agency fails to require that the household complete a form to determine whether there has been a change in circumstances, and continues to issue at the same rate, the total allotment is considered overissued. For example, a household is issued a food stamp allotment of $200 in April. The county fails to obtain a monthly report form to determine whether there should be a change for May, but does issue $200 for May. It is later discovered that the household had no change and was eligible for $200 in May. However, because of a procedural error in failing to obtain the appropriate form, the State Agency will be charged with an overissuance of $200. This will have a devastating effect on the "official" but, in reality, inaccurate error rate.

We believe Congress could address many of the problems in the Food Stamp Program by giving States more flexibility in the form of options, particularly in procedural but also in policy areas, where possible. For example, there are States which are opposed to monthly reporting/retrospective budgeting based on studies that have indicated increased costs without comparable error rate decreases in their individual States. Other States apparently have either seen positive results or are still in the process of monitoring and evaluating. Mississippi is among the latter in that we have implemented based on what we believe Congress intended, and will give MR/RB every chance. However, we would like to be in the position of having an option, based on results which ultimately will dictate the appropriate course of action for the State of Mississippi.

The Mississippi Department of Public Welfare has a vested interest in administering an effective Food Stamp Program. We have an obligation to the needy citizens of this State, and we also have an obligation to taxpayers who pay for meeting these needs. We would ask that Congress recognize that we are aware of our responsibilities and take pride in a job well done, that we do not need the threat of fiscal sanctions to make us aware of the need to maintain program integrity. We ask that Congress enables States to efficiently administer the Program by removing roadblocks and inequities imposed in many instances by FNS. We ask that Congress help us to preserve a Program which is dedicated to the alleviation of hunger in this country.

EMERGENCY FOOD PROGRAM

At present Mississippi has 155,196 households participating in the Emergency Food Program. Each of these households receives an allocation of food only once each three (3) months. Because of restrictions forced upon us by limited financial resources, Mississippi is presently serving only two (2) catagories of eligibility. They are (1) Food Stamp Households and (2) households whose eligibility is based on Self Declaration of Income. There are numerous households, with needs as great or greater than these, that we are unable to serve because of the increased cost which would be incurred by doing so: AFDC households, Medicaid households, SSI households, and those households receiving assistance under other means-tested Federal, State, or Local programs. At the present these latter households can receive food only if they qualify under the income eligibility scale for the Self Declared (130% of the poverty level).

The County Welfare Departments, whose responsibility it is to take applications, handle certification, distribute the food, fulfill reporting requirements, and maintain accountability records among other things contingent to this program, are already over-burdened and understaffed. The administrative funding presently received does reduce, but by no means does it eliminate, time spent in the administration of this program by our regular employees at the expense of other programs and

for which they receive no reimbursement. These funds do enable the County Welfare Departments to employ a few part-time employees on a very limited basis but only to the extent that it becomes impossible for their regular staff to meet the demands imposed by this Program. (A good horse can be ridden to death!) Labor, storage, transportation, and distribution costs are some of the necessary expenses to be borne. Cost for printing, supplies, and security are only some of the additional expenses that must also be met.

We desperately are in need of Federal funds to sufficiently enable us in providing our present Emergency Food Program recipients with food more often than once each quarter and hopefully to expand our present Criteria of Eligibility to include those households that as of now, we are financially unable to serve. These are the AFDC, Medicaid, SSI, and those receiving assistance under other means-tested programs.

The fact that a need for food does exist is clearly evidenced by the long lines of people who stand in inclement, often sub-freezing, weather just to obtain $15,000 to $20,000 worth of food. This would also serve to emphasize a very possible need for other food items in addition to those presently available.

With proper funding we could provide a more adequate number of part-time employees (from the ranks of the presently unemployed) to broaden our scope of food distribution. These employees would be used only as needed to take applications, handle certification, make distribution, prepare necessary reports, file distribution receipts, and perform other tasks incidental to the success of the Emergency Food Program.

CHILD SUPPORT PROGRAM

Insofar as Child Support Program is concerned, we feel that the human service needs related to the Child Support Program have been identified by the House of Representatives in H.R. 4325. This bill was passed by the House on November 15, 1983.

Enactment of H.R. 4325 into Public Law would provide a major service to the Child Support Program. The primary gap that exists would be lack of funding for states to provide the services required by the federal government. Mandating a function without providing adequate funding is a problem which is more acute in a state like Mississippi which is presently undergoing a financial emergency.

In the event Congress enacts H.R. 4325 into Public Law, a great service will have been provided if adequate federal funding is contained in the law. If adequate federal funding is not provided, the law will create more problems than presently exists for the states must attempt to comply knowing full well that this is impossible without sufficient funding.

Chairman FORD. Thank you very much.

You know, I want to personally thank each one of the panelists. I know that all of you travelled a great distance to be here to testify before the subcommittee this morning, and I would just like to personally thank all of you as the chairperson of the subcommittee.

There are three States that are represented on this panel and I would just like to know, have you been faced with the problem of the homeless in your State? Do you have that problem? Is there a problem? Are there homeless people in your State that you know about?

Dr. FRAZIER. Generally, there are four. We consider, at least from my level as an administrator of four service programs of the State, the acute needs to be those having to do with income maintenance and problems that income maintenance would be the root of.

Because of the very low level of income maintenance provisions in our State, I believe that we are perpetuating sort of a subsidized staff with all of the attendant problems.

It has been mentioned already earlier that we believe that the program that we have now places people who are already the most vulnerable in the corridor, a catch-22 situation, where, to some

extent, we drive them to practices that we classify as fraudulent and, indeed, they are according to the law.

But, nevertheless, it is the system which placed them in that kind of situation.

Some of those practices would involve what they do with their food stamps. They do whatever they feel is necessary for survival at the moment and because of the general housing problems we have, somehow the resources get misappropriated and misdirected because of the whole situation in which individuals are placed.

Chairman FORD. Could I hear from the other States as well?

Ms. PERRY. In Kentucky, there is definitely a problem with the homeless. Two areas that I am personally familiar with in our contacts with the jobless, which is a different kind of homeless perhaps than what we were thinking of, they are not able to accommodate nearly the number of people who contact them needing temporary shelter. You see, that is one type of need.

Another need, and I am only familiar with it really in our two largest cities, Louisville and Lexington, there is a growing problem that is creating serious difficulties in our cities with the street people. I don't have any numbers. I am not sure whether any exists. I will be happy to try and find out if you would like some documentation on it.

Chairman FORD. You know, White House officials have said that the homeless are homeless by choice, and what I am really trying to find out about is your experience, you know, in your State. I know that there are the White House officials who say that people in going to the soup kitchens and going to the food banks, are they going because they just don't want to work, can't find work, or are they hungry because of the problems with the budget cuts which we have had to contend with for the last 3 years.

Ms. PERRY. I would like to address that.

Chairman FORD. Please.

Ms. PERRY. About 5 years ago, I was asked to direct a group of people in Kentucky in an effort to develop a program before the Federal agencies decided there would be a work program. Even though I had worked as a case worker out in the field, I still believed that there was going to be a way of developing some jobs for feeding the needy.

After pulling numerous individual case folders over an extended period of time and reading hundreds of case histories, and this is for the ADC group, but I don't think they are atypical, we found out that, again, I don't have the numbers off the top of my head, but the average educational level was ninth grade, the best I remember.

Most of the people had no work history and had had children and left school before they could get any work history.

When we have a situation like that today where there are untold numbers of the people with high school diplomas and vocational degrees looking for work, there is no reason why an employer would hire a person with a ninth grade education for any job, be it janitorial work or for a dishwasher, or—there is no reason, and once those people reach a certain age, they have not only the lack of experience and lack of education, but the third strike which is they have reached some age that employers consider to be one where

they don't want to be bothered hiring people and they have three strikes against them.

In the States like Kentucky, going back to a problem I addressed earlier, of the small number of people we ended up with that we thought possibly might be employable, we found that many of those lived in areas where there was no transportation whatsoever.

They lived in extremely remote areas frequently, and there was no child care. So, my contention is that while probably anyone can find examples of persons who are not working by choice, and I would never say you couldn't come up with an example, I am sure you could, but my experience is that the vast majority are probably not working because they do not have the education, the skills, the required training, and even if they have those, they don't have access to transportation and child care.

Chairman FORD. But, we are still finding our homeless people. White House officials have indicated they are homeless by choice. We see that there are soup lines, cheese lines, other lines as well.

Ms. PERRY. I disagree that that is by choice. I don't question that any Congress person or administration official can find several examples of that. I am saying that overall, I disagree.

I think many of these people are homeless and are going to soup kitchens because they are unable to obtain the jobs that would provide the funds for that.

Chairman FORD. It is not that they don't want to work?

Ms. PERRY. That has not been the experience that I have had.

Ms. WHEELER. I think some of those that are not willing to work, and willing to be homeless by choice, quote-unquote, are the chronically mentally ill, and that is another problem which we have not addressed, to see that they are adequately taken care of, the mentally ill.

Chairman FORD. Are you saying in this State that that is the ones that are out there, the mentally ill?

Ms. WHEELER. No; I am not saying that that is all that is out there, but some of those that might be identified as not wanting to go to the established shelters.

Chairman FORD. The homeless, those that might have some kind of mental problem, you are saying the evidence is that they are not homeless by choice?

Ms. WHEELER. Yes; we have individuals come to our food stamp lines to apply for benefits, and they have no address, they are living in their cars.

Chairman FORD. Have you seen the new class of poor people in the last 3 years that has taken place in your State? The new poor that I am making note of right now? Aren't they a new class of people that is out there?

Dr. FRAZIER. There is a new class and it presents a whole new set of problems, but the new class are what we might refer to as the recently or newly unemployable. Those individuals who have not had the experience of being poor, and have not developed the coping skills for being poor.

We have found a high degree of correlation, for instance, with other kinds of social problems, and the newly unemployed. The numbers of newly unemployed, for instance, abuse or reports of abuse of the elderly and the very young.

These reports have escalated along with the reports of an increase in the numbers of recently unemployed. It does very much appear that the coping skills for an individual who has been fairly dependent for most of his life and has been working, who has become unemployed for an extended period of time, their resources have dwindled and find themselves poor, that type of individual does not cope with his new status as well as an individual who has been chronically in that situation.

So, we have this very high correlation of the other kinds of social maladies and ills, along with these reports of the newly unemployed.

We definitely have a new class of social problem that has been generated and prospered by the economic situation of the recent period in the State.

Chairman FORD. Could we hear from the State of Mississippi, please?

Ms. BEWLEY. I was going to say that I think the mentally ill has been one of the things we have overlooked. We have a lot of people coming out of State institutions that have no place to go and it is not a small problem in Mississippi.

A lot of them have been asked to leave the places that have been their homes all their lives and they have no place to go, but as far as congressional cuts or whatever, that did not cause this, this is just a problem.

Now, as far as Mississippi having homeless people, I can't say that we have had any more homeless than we have ever had. I am sure there is a lot of them out there that would like to be in their homes and are living with relatives, but they are not out walking the streets homeless and hungry. They can get food stamps, they have unemployment benefits, they are hurting but I do not think they are starving and homeless.

Chairman FORD. What about your soup lines?

Ms. PRIEBATSCH. I am not even aware of soup lines.

Chairman FORD. You are not aware of any soup lines in the State of Mississippi?

Mr. PRIEBATSCH. Yes; we have some, but most of those are private church groups that have established those.

Chairman FORD. Well, it really does not matter who, you know, sponsors those soup lines.

Mr. PRIEBATSCH. There are soup lines.

Chairman FORD. But, I am just wondering whether or not there are people standing in those lines that are there because of——

Mr. PRIEBATSCH. There are many standing in soup lines. I know I personally went down, my wife and I went down to help the soup line on Christmas Day to feed those families and they are there, and we do have that problem.

Chairman FORD. Memphis being adjacent to the State of Mississippi and being one who was born and raised right on the muddy banks of the Mississippi, I am very much aware of the problems in my neighboring State.

And, long before the budget cuts took place. you know, Mississippi had, you know, problems seeing people who stood in soup lines to receive whatever goods might have been passed out. We do have

real poverty in the State of Mississippi, and it has been there long before the budget cuts.

Mr. PRIEBATSCH. Right.

Chairman FORD. And, the Reagan recession set in.

Mr. PRIEBATSCH. You mentioned earlier about the new unemployed. What is happening in Mississippi is no different than in other States. If you look so long, you get discouraged, and the people become discouraged and these are uneducated and untrained.

Chairman FORD. These are people who have been laid off and unemployed, and are no longer seeking employment because they have been unemployed for so long?

Mr. PRIEBATSCH. Right. If they keep looking and they don't find anything, they are liable to get discouraged.

Chairman FORD. Mr. Stark.

Mr. STARK. Well, I want to ask a question primarily, I think, of Ms. Wheeler or perhaps Ms. Perry, and the people from Mississippi.

It is hard for us to sit on this committee and so often, when we suggest legislation that will either increase the ability of people to qualify for assistance, by either lowering the asset test or the income test or whenever we suggest increasing benefits where the Federal Government is paying half or more, and the States are being required to add some of their own that they raise objections.

We hear this anguished cry, and principally I think it is from the South, that we are invading State's rights.

I have come, over the years, to have a suspicion that while the South may be outgrowing this, there is a sort of a latent feeling that if the Federal Government provides too much in the way of assistance, and how people can decide that $60 per child is too much, or how $154 of AFDC payments is too much for a family of four, but for some reason, some of my colleagues—and certainly not the distinguished gentlemen that are here with me on this podium this morning—but I get the feeling that they would just as soon keep people poor.

I get the feeling that in some States they feel it is the State's right to kind of control the lives of very poor people, and perhaps keep a large quantity of very low paid labor available for employers on a part-time basis.

And, that somehow I am coming in from out of town, and spoiling a good deal, and I am just wondering if I am just paranoid or living in a dream world of old days gone by. Or, do you all sense that perhaps there is a feeling among the power structures in your States that maybe it is a bad thing to pay people a living wage in this country and not have them come in and ask for welfare aid. Do you think if we established a little better Federal standards, that we might also increase or decrease the amount of subservience or low-priced labor available?

Ms. WHEELER. Obviously, that is not my position.

Mr. STARK. No, and I wouldn't suggest that for any of the panel it is. But, I am wondering is my paranoia justified at all?

Ms. WHEELER. Well, I think on the basis that the State has not seen fit to increase the benefits over a long period of time, apparently it——

Mr. STARK. Do you think the States are going to be unable to pave their roads, or educate their children, and not maintain their militia if we add $10 or $15 a month to somebody?

Ms. WHEELER. We might have to raise taxes.

Mr. STARK. Heaven forbid.

Dr. FRAZIER. Well, they are not going to—if it is just a matter of finance, it is politically unpopular and in some Southern States, this would include Alabama, to speak in terms of increasing benefits to the poor, it is—and, a politician can make more mileage by using the welfare system and those who qualify for welfare benefits, generally the poor, by using them as whipping boys, and now that is just a fact of life.

Mr. STARK. We have distinguished Democratic Senators around me. So, do not bate them.

Every time we have a conference with the Senate, this distinguished Senator, who has forgotten where he came from, keeps telling me that these people just quit work, we take care of them down in our home State, but that does not imply—heavens, we have a tradition of having jobs for these people, they don't need this money, and I am sure that those people would disagree.

But, I find that a rather prevalent attitude and one that politically causes us a lot of problems.

I mention it only as a matter of the astounding differences in benefit payments, and it doesn't seem proper, the Federal Government is paying half of their benefits in the State of California, and I would like to see it extend.

I don't want to necessarily come in and raise all of your taxes in Mississippi, Alabama, and Tennessee, but to the extent that the Federal Government could bring more funds here, I would like to see this happen. Do you want to respond to that?

Chairman FORD. Mr. Fowler.

Mr. FOWLER. I am very interested in the gentleman from Alabama and the edu-care fare proposal.

Do you have that spelled out in more detail than you were able to give us in the testimony, and if so, I hope you will send it to us.

Dr. FRAZIER. I will be glad to do that because I am highly interested in it. I think we are misdirecting our efforts and—from whatever basis we would want to look at it, particularly economically, and the statistics show over and over again that these people are very low in education.

Mr. FOWLER. I like the philosophy and I would like to see the details.

Dr. FRAZIER. All right.

Mr. FOWLER. I sort of like the way you tied it to dependency, to the teenage pregnancy, the correlation of sex education with the ultimate economic results.

Dr. FRAZIER. I will be happy to supply that.

Mr. FOWLER. I guess I ought to warn you, I about got run out of Atlanta one time when—I like you are trying to keep the young women from dropping out. I was trying to keep the young men from dropping out, and I suggested to a PTA that one way we could keep kids in school is to have a national driving age set at 18 rather than 16. As soon as they turned 16, they dropped out of school, but, of course, all the parents got irate about my idea.

They didn't want to have anything to do with that. So, you have to be careful there.

Let's go back to, just for a second, Mr. Chairman, if I may, to the definition of this phrase, "the newly poor," that we all sort of throw around now, and you discussed a moment ago.

Is there some sociological fact, or technological change that has been wrought through the last 4, 5, or 10 years that gives us a new class of people?

I think in your testimony you said there were 6,000 jobs lost in Mobile in the last 10 years or something like that. And, what has happened to all of those people?

Are they in this new class or are most of them in Texas now working in the oil fields?

Ms. WHEELER. I think that many of them are in this new class, those who receive unemployment compensation until it ran out and they have taken what benefits they could.

Ms. FOWLER. They are newly poor in the sense that they have lost a job in which they had always worked and were trained, and just haven't been able to catch on to anything else.

Ms. WHEELER. Right.

Mr. FOWLER. Nothing more sophisticated than that?

Ms. WHEELER. I don't think so. And, those jobs may not come back, mainly because of technological change. That could contribute to the jobs that they lost. If the plant closed, they are not going to open up again with the same kind of jobs, they may open up with more sophisticated technology and the level of skill would be higher.

Mr. FOWLER. And, what about the budget cuts? How much of that is the newly poor, aware of the definition as Alabama, Kentucky, and Mississippi is?

How much were contributed by the last couple of years, by the cuts that you describe? Is there any way to quantify that to these newly poor people, that they wouldn't be there were it not for the size of the cut? Do you have an estimate or a guesstimate?

Mr. PRIEBATSCH. In Mississippi, one of our problems goes back to the high interest rates and the economy of wood products, and with our wood industry suffering from the lack of new starts of housing, in construction, and those put a great segment of the population out of work, so some of that goes back to the inability of not having new housing starts, or the demand of the wood industry.

Dr. FRAZIER. In Alabama, one barometer we have is the food stamp applications, both the rejections because the newly unemployed usually have assets that would not allow them to qualify for food stamps.

So, by looking at both the increases in food stamp applications over this period of time, and the number of rejections, plus those that do qualify, we do get a fairly good barometer of the extent to which the new unemployment figures into the problem.

I am not prepared to quote statistics, but that is a way we have of getting at that problem, and we do have those statistics available.

Mr. FOWLER. Well, I think all of the testimony was very enlightening, and I appreciate the effort involved behind the presentations.

Thank you.

Chariman FORD. Thank you.

The committee would like to thank each of the panelists for your testimony as well as traveling over to Memphis today to appear before this subcommittee.

We do appreciate your taking time out of your busy schedules to come here and make the appearance and your testimony as well.

I thank the panel again. Thank you.

That is the conclusion with the exception of a few witnesses that we had indicated we would let come to address the subcommittee.

The members of this committee would like for the audience to know that Congress is in session today, and Congressman Stark has to return on an early flight, and Congressman Fowler and I will have to return on a flight just shortly from now.

And, we will hear from some of the witnesses in the audience who have indicated they wanted to make an appearance before the committee today, to have a word or two.

I would call Mr. Leo Gray first. Would you come down to the podium, Reverend Gray, to testify?

We are delighted to have you appear before the committee, Reverend Gray, and you may proceed at this time.

Rev. Leo Gray.

STATEMENT OF REV. LEO GRAY, MEMPHIS, TN

Mr. GRAY. Congressman Ford, I want to thank you and members of this subcommittee for the continuous efforts to give the poor a voice and to be that voice for the poor of our Nation.

I want to say that I am in full support of the Anti-Poverty Act of 1984. I strongly believe the old "government of the people, for the people, and by the people" must help people when people cannot help themselves.

Irregardless of what the Reagan administration says, we know people in the land of plenty are going hungry, while we continue to stockpile nuclear warfare, presently our people are suffering.

I would urge you and Members of Congress to look at our national priorities, to reevaluate our assets, to look at people versus bombs, foreign aid versus domestic aid. There must be some balance between what we do in the world versus what we do for our people.

What does it matter if a child dies from starvation versus dying from a nuclear war? What does it matter if senior citizens and the poor die from the lack of good health care versus a nuclear war?

We are now raising millions of dollars and will spend millions of dollars on the restoration project for the Statue of Liberty, a symbol of duration for the poor, the tired, and disgusted people of the world. I see a paradox in the fact that while we raise money to restore this beautiful statue, we neglect the poor at home.

I see a costly inconsistency when the Reagan administration advocates prayer in our schools and at the same time takes bread from the tables of our lunchrooms in our schools. I see an inconsistency.

In our city alone, there are people over the age of 60 who make up 10 percent of this population. It is an indictment against our so-

ciety that these people who have paid their dues and upon whose shoulders we stand now are near death in frustration and anxiety caused by the cuts of the Reagan administration.

We cut food from the poor while we cut taxes for the rich. We need to look at our Federal income tax statutes. We need to reach some sense of fairness and balance.

I agree with the panel prior to me that there is a new class of victims of poverty. This class of individuals are not the untrained, the unskilled; they are individuals with B.S., M.S. and Ph.D. degrees who are unable to find work.

This leads to a further frustration that gives a sense of hopelessness, and, at the same time, destroys the incentives for our people in school developing their skills.

Full employment in America not only is a possibility, but is a must. Somewhere we must stop corporate America from building factories in Third World nations in search for slave labor.

To you and members of this panel, Congressman Ford, again, I commend you for your continuous efforts, and say to you in times like these, we need to make internal investments, investing in our people, and I pledge my full support to the Anti-Poverty Act of 1984.

And, thank you very much for listening.

Chairman FORD. Thank you, Reverend Gray.

The Chair would like to announce at this time, we are running somewhat ahead of schedule, but, at the same time, I announced earlier that Congress is in session, and we would like to conclude the subcommittee public hearing at this time.

Any of those who would like to submit written testimony, I would like to ask unanimous consent from the committee to keep the record open for a period of 5 days for any individual, organization, or institution that would like to submit their written testimony to be made a part of this record, and the record will be left open, hopefully, for a period of 7 days.

I do not want to close this session without affording each and everyone of you the opportunity to testify, to have a word before the subcommittee. If there is anyone in the audience who will just insist upon making a statement, I will recognize you at this particular time, and ask you to try to limit it to 1 minute, if you don't mind.

You might give us a brief summary of the statement, and we will make the entire statement a part of the record, sir.

STATEMENT OF GLENN COWART

Mr. COWART. Yes, sir.

I would like to thank the committee for this time. My statement is about the employment compensation, workers' compensation.

I got injured in 1975. I won a case in 1981. I am a Federal employee, and I haven't been put back to work, and I would like to know what can I do to resolve this problem?

VOICE. State your name, sir.

Mr. COWART. Glenn Cowart.

Chairman FORD. Let me say I do have some staff people who are here, and if you would like to walk over and get with Mr. Lowery,

he has collaborated on that, and he will be working with you, with the other staff and all on that.

Mr. COWART. Thank you.

STATEMENT OF HELEN GRAY, MEMPHIS, TN

Ms. GRAY. Senator Ford, I am Helen Gray, and personally, I want to thank you for everything that you have done to help the mental health situation in Memphis and over the United States.

I would like to pick up on what some of the people have said, that many of the homeless people are the mentally ill that are walking the streets.

I wanted to make Senator Ford aware that we had many of those homeless in Memphis walking the streets.

A friend and neighbor of mine who is a mental health nurse, houses somebody on her back porch every night, she says. There is a great need in our city of Memphis for more shelter for the mentally ill.

I also want to call to your attention that there are many people here in Memphis who are suffering a great hardship, handicapped people, who have been cut off of the Social Security rolls.

I would ask—and I am sure you are aware we are having trouble with the finances of the mental health centers here in Memphis, and due to that fact, there may be, I am not saying there will be, but there may be poor people who are not going to be able to receive their medication because they will not have the money to pay for it, from the mental health centers.

This not only affects people who are mentally ill, but it affects our whole society.

Thank you for listening.

Chairman FORD. Thank you very much, Ms. Gray.

STATEMENT OF SUSIE BRYANT, MEMPHIS, TN

Ms. BRYANT. Congressman, I am poor and from this community.

I would like to thank you for what you have done for us. There is so many people that is in a condition where they can't do anything for theirselves, they are so discouraged until they don't even have the nerve or courage to come up and listen like they used to, to the different meetings.

I would like to say—I am Susie Bryant, from the Orange Mountain Settlement House for seniors and we work voluntarily with people and I do quite a number of referrals to the different agencies.

Sometimes I do referrals for people that don't have any resources, have been cut off from food stamps, and we have some that have a job, but so many of their relatives have come to live with them, until they are in a bad shape, in such shape they are not able to pay their bills like they should.

And, these people can't even—the relatives that don't have anything, they can't get any food stamps or any kind of help, and one or two people that has come to us, they have run into trouble—they can't pay their notes on their homes on account of helping others with the amount of money that they make and it is awful.

It makes you feel sad to know that people are in such a shape right here in our city. And these agencies, they are doing the best they can for them. They can't go over the guidelines.

Thank you.

Chairman FORD. Thank you.

That is the purpose of this subcommittee being here with our visit, to hear from those witnesses, to inform this committee to carry the message back to the Congress.

Yes, sir?

STATEMENT OF WILLIE JOE ALEXANDER, MEMPHIS, TN

Mr. ALEXANDER. I appreciate your time, Congressman Ford, and the committee.

I live on unemployment. I have been unemployed for 1 year and at the outset, when we went down for the hearing, they told me I was eligible for 52 weeks of unemployment. My unemployment was exhausted with the extension after 26 weeks. I went back to reapply. They gave me a statement from my earnings that I still had $8,000 and some dollars in unemployment that I could not draw.

My impression was that when I went into the work force, unemployment was reciprocal. What I put in, I would be able to get out at times that I was not employed, but the trend has changed, and they are gradually kicking you out after you have paid into unemployment.

After some evidence in your office, I found out that in July, they are going to drop another eligibility period which means that I will lose better than half of the $8,000.

Chairman FORD. Are you presently drawing unemployment compensation benefits?

Mr. ALEXANDER. No, I am not drawing a dime.

Chairman FORD. You only received 26 weeks state unemployment benefits?

Mr. ALEXANDER. That is correct.

Chairman FORD. You are not receiving any of the Federal supplemental benefits?

Mr. ALEXANDER. I received 4 weeks and they cut it off. Told me there was no more available, and the $8,000 that I had——

Chairman FORD. Ray, come down and let him give—because we need to get more details.

This is a case that we probably need to look into, and let my staff address that rather than right here on the public session, because this is a part of the record for the Congress.

Chairman FORD. Once again, I would like to thank all of the witnesses who have appeared here and all of you who have been here so patiently with us to hear witnesses testify before the Subcommittee on Public Assistance and Unemployment Compensation.

This will conclude the field trip of the subcommittee. Once again, I would like to thank the members who were kind to take time out of their schedules to come to Memphis, as well as the witnesses. Also, I would like to thank the staff for Ways and Means for coming down and being a part of this session.

This will conclude the first field trip, regional field trip, being held here in Memphis, TN, on public assistance and unemployment compensation.

The committee will now adjourn.

[Whereupon, at 1 p.m., the subcommittee was adjourned.]

[Submissions for the record follow:]

STATEMENT OF BISHOP J. FRANCIS STAFFORD, DIOCESE OF MEMPHIS, ON BEHALF OF THE CATHOLIC PUBLIC POLICY COMMISSION OF TENNESSEE

In recent years I have witnessed an alarming increase in the poverty rate no matter how it is measured. The official poverty rate among the general population in the United States has increased from 11.4% in 1978 to 15% in 1982. The total number of individuals below the poverty level has increased from 24 5 million in 1978 to 34.4 million 1982. The poverty measure, including all in-kind benefits, increased by over 40% during that same period. As indicated in a recent letter to the editor by Robert A. Murden M.D. and Diane Meier M.D. appearing in the April 2, 1984 issue of the New York Times, "Almost half of the true rise in poverty was due to cuts in social programs under the present administration."

The principles of social justice compel me to urge the federal government to take steps to reverse this alarming trend. I believe that House Bills 4326, 4327 and 4920 will begin to accomplish that goal.

The provisions of H.R. 4326 represent a variety of changes in the administration of the AFDC program, as well as several provisions which will allow states to establish projects to test the effectiveness of integrating the delivery of human services and of conforming AFDC definitions and budgeting procedures with those used in Medicaid and Food Stamps. I support H.R. 4326.

Even more importantly, H.R. 4327 includes a number of provisions designed to improve work incentives for AFDC recipients, restore income supplements for persons working at low wage jobs, begins to encourage states to aide two parent unemployed families, and gives the states an incentive to provide cash assistance to pregnant women throughout their pregnancy. These improvements in the AFDC program are critical and will aid families, many of them working families, who cannot make ends meet. I support H.R. 4327.

Finally H.R. 4920, the Omnibus Anti-Poverty Bill, includes many of the goals of H.R. 4327 and is more comprehensive in nature. This Bill would have the effect of reversing the trend of increasing poverty and would insure that low income families are better off by working and would reduce the poverty gap. This is a viable and important Bill which significantly addresses the basic unfairness of the government's current budget and policies. I support H.R. 4920.

As a recent General Accounting Office report indicated, roughly 493,000 families lost AFDC and Medicaid altogether and a vast majority of them could not make up the loss in income and certainly couldn't afford to buy the health coverage that they desperately need. It is critical that poor families who are trying to maintain their dignity and self-respect by working in low paying jobs be afforded the necessary health care which they so badly need. Thousands of people are ineligible for any government assistance whatsoever due to the 150% CAP. Here in Tennessee, a family of 4 earning more than $325.50 is ineligible for any government assistance programs. Given the poverty line for a family of four at $9,870 a year, one can see this unfortunate discrepancy for those who try to subsist on their wages. A more uniform eligibility criteria based on realistic standards of need are essential to assure basic human rights for our poorest citizens.

Bishop Eugene Marino, of Washington, D.C., recently gave testimony to Congress on the poor and the homeless in America. He stated: "The test of a society, the measure of justice in our communities is how we treat 'the least among us'—the hungry, the homeless and the vulnerable. By these standards, I fear we are failing as a society." This is also our belief. All Americans are touched by the inadequacies of our social welfare programs as they affect the lives of our citizens, both rich and poor alike. It affects our economy and our level of crime.

I call upon the members of the sub-committee, the Congress and the Administration as well, to reverse this alarming trend of growing poverty. These Bills will assist in doing just that.

KNOXVILLE-KNOX COUNTY,
COMMUNITY ACTION COMMITTEE,
Knoxville, Tenn., April 11, 1984.

Chief Counsel JOHN J. SALMON,
Committee on Ways and Means,
Longworth House Office Building, Washington, D.C.

DEAR MR. SALMON: Attached is information about how budget cuts have affected our local community. We were unable to be in Memphis for your hearing on April 9. We hope this written information will be of help to your committee. The presentation was prepared for FISH volunteers. About 450 people from churches in our community help meet emergency needs by answering the telephone calls that come from daily newspaper ads saying "Need help—call FISH."

Sincerely,

DIXIE PETREY, *Director, Nutrition Project.*

Enclosures.

[From the Knoxville Journal, Apr. 11, 1984]

FED CUTBACKS HURTING FOOD PANTRIES

Cutbacks in federal food programs are increasing the drain on area emergency food pantries, according to the director of Knoxville's community nutrition program.

And because of changes in the rules of federal food programs, Knox County now has 4,843 fewer families receiving food stamps than in 1981, said Dixie Petrey of the Knoxville-Knox County Community Action Committee (CAC).

Petrey spoke Tuesday night at the Knoxville FISH organization's 12th anniversary dinner.

"In January, we had 347,434 fewer dollars in food stamps coming into Knox County," she said.

The $1,354,842 in food stamps redeemed in Knox County in January averaged only 50 cents per meal for the 11,414 families who received them, Petrey said.

"We also have 1,485 fewer women, infants and children using food supplements provided through the WIC program, 1,200 fewer children receiving food through the summer feeding program," she said.

Of the 890 families requesting food from 34 emergency suppliers here in January, 537 were seeking assistance for the first time, Petrey said.

She said 10 of the families had been cut from the food stamp program.

She also provided this breakdown on the heads of household of the families:

179 were unemployed;

43 had been temporarily laid off;

Eight were newcomers to Knoxville;

173 had part-time jobs with insufficient incomes to feed their families;

14 had unusually high utility or medicals bills that had taken money usually reserved for food;

10 had extra mouths to feed during the month.

FISH CALLS FOR 1982

	Food	Trans.	Money	Housing	Couns.	Info.	Fuel	Clo.	Fur.	Man.	Misc.	Total
Jan.	318	16	21	3	4	13	16	6	5	1	4	407
Feb.	213	13	41	9	2	21	4	5	8	1	5	322
Mar.	144	21	27	9	1	16	0	10	5	0	5	238
Apr.	187	8	10	4	1	14	0	4	6	1	2	237
May	150	21	15	6	2	12	0	1	8	3	4	222
June	165	20	10	0	4	9	1	0	3	2	10	224
July	204	13	19	3	1	11	0	2	5	1	1	260
Aug.	210	13	14	1	3	8	0	5	6	0	6	266
Sept.	230	9	9	4	1	11	0	2	6	1	6	279
Oct.	237	9	21	4	2	5	0	5	4	2	1	290
Nov.	306	12	19	3	0	15	11	5	7	1	5	384
Dec.	258	21	13	3	1	19	5	1	6	0	6	333
	2,622	176	219	49	22	154	37	46	69	13	55	3,462

FISH CALLS FOR 1983

	Food	Trans.	Couns.	Info.	Fuel	Clo.	Furn.	Rep.	Misc.	(Money) Util.	Rent	Med.	Bus Fare	Ph. Bill	Ph. Cash	Hous.	Total	
Jan.	332	15	3	24	6	4	12	1	2	12	7	2	1	-	-	3	424	
Feb.	264	11	3	11	5	2	11	-	2	7	6	2	2	-	1	3	330	
Mar.	178	5	5	9	-	4	5	-	7	13	10	1	-	-	-	1	240	
Apr.	291	15	3	11	4	2	4	-	10	9	-	2	-	-	-	3	360	
May	266	18	2	18	-	2	8	2	10	7	4	6	1	-	-	6	353	
June	390	12	1	10	-	1	4	3	8	13	4	5	1	-	1	2	457	
July	303	13	4	11	-	2	-	2	9	7	5	9	1	-	1	2	370	
Aug.	379	18	2	16	-	5	5	-	7	2	8	2	2	-	1	2	453	
Sept.	385	21	1	18	-	4	4	3	4	14	4	4	2	(Plus 10 more)		2	476	(lost log)
Oct.	377	17	1	16	1	2	13	2	5	20	4	7	2	2	-	5	474	
Nov.	553	13	2	25	11	4	7	4	13	20	11	3	1	-	1	2	672!!	
Dec.	455	15	1	10	10	4	9	2	6	15	6	-	4	-	-	2	539	
	4,173	173	28	179	37	36	82	19	83	139	69	43	25	12	1	6	33	5,148
														(Plus 10 more)				

FISH CALENDAR
March 1984

HOURS: 8 A.M. - 5 P.M.

PHONE: 573-8325

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
				(1) Volunteer Last Resort T. 573-5048	2 Virginia McWhirter 688-2741 Norwood Team #1	Mary Lou Cowan 577-2834 The Helpers
4 Volunteer 584-5895 Ch of the Ascension #3	5 Volunteer 546-9666 First Baptist	6 Volunteer 637-8130 1st Presbyterian	(7) Volunteer 690-8221 Last Resort T.	8 JoAnn Reafsnyder 693-2981 Westminister T.	9 Alice Fry 523-4720 New Covenant T.	Linda McClanaha 966-1665 Peace Luther
11 Alma Gibbs 687-6134 CGL Team	12 Hazel Brimi 525-4122 ICCW Team	13 Hook up at 9:00 Marjorie Michel 584-7262 Messiah Lutheran	14 Miki Bryce 966-0321 Ch of the Savior	15 Margaret Matthews 573-4648 #1 Ch of Ascension	16 Ruth Pietrick 584-8882 Sacred Heart	Carol 1 Marshall 688-2741 Norwood #2
(18) Volunteer ~~690-8221~~ 573-5048 Last Resort T.	19 Harriet Smartt 523-4660 Holston Hills T.	20 Alyce Pickett 690-6350 Good Neighbors	21 Volunteer 523-4177 Unitarian T.	22 Helen Smithson 546-6079 #2 Ch of Ascension	23 Volunteer 525-8712 Christ Chapel	Volunteer (~~690-8221~~ 573-504 Last Resort
(25) Volunteer ~~690-8221~~ 573-5048 Last Resort T.	26 [illegible] 525-3290 Good Samaritan T.	27 Volunteer 523-9656 2nd Presbyterian	28 [illegible] 690-8642 Middlebrook United Methodist	(29) Volunteer 690-8221 Last Resort T.	(30) Volunteer 690-8221 Last Resort T.	Delle Craven 577-2884 St. John's Episcopal

CALENDAR COORDINATOR: Iris Long
914 Piney Grove Church Rd.
#4 37919
691-1179 or 690-4168

VOLUNTEER COORDINATOR & LOGKEEPER: Marian McCampbell
2919 Conner Dr., Apt. 5, 37918
687-0371

What We Do Know About Hunger in Tennessee

PRESENTED TO FISH VOLUNTEERS ON THE 12TH ANNIVERSARY OF THE PROGRAM IN KNOX COUNTY

(By Dixie Petrey*)

When my babies cried after four or five hours without milk I knew they were hungry, so I fed them. When my 7th grader comes home from school she's hungry, so I have food ready for her. The other day I was talking to the superintendent of schools about the school breakfast program. I asked him if he felt it was a helpful program in our schools. His response was a personal one, for he described his own experience. He had missed breakfast that day and his meetings had run through lunch. He began thinking more about eating than about the topic of the meeting. He was hungry. He knew that if he felt that way, a child who hadn't had breakfast would have trouble learning in the classroom.

In the preceding examples, those who were hungry had food readily available, but there are people in our community who have known the feeling of being hungry and there was no food in the cupboard or refrigerator. When asked to describe what it's like to be hungry, they said: "If you are hungry, you get weak, you snap at people with no cause. You can't sleep and you don't have energy."

At the University of Tennessee, Dr. Gail Disney, who did a study using medical and chemical tests with adolescent girls, describes hunger in very similar ways. Those with iron deficiencies, who lacked proper nutrition, "did not have enough energy, got easily tired and worn out, got run down and were more susceptible to disease."

Dr. Roy E. Beauchene, of the University of Tennessee in Knoxville, published a paper in 1979 about the nutritional status of the aged that states: "Inadequate diet tends to be associated with inadequate income, being female, and/or being black. Inadequate diet is also cited as a principal cause of six killer diseases: diabetes, hypertension and stroke, heart disease, some cancers, arteriosclerosis and cirrhosis of the liver."

We know some numerical facts about 890 households that requested emergency food from 34 Emergency Food Helper pantries during the month of January 1984. Only 353 had received food before; 179 [1] were unemployed, 43 had been laid off from work temporarily, 8 were new in town; 173 worked, some part-time, but their income was too small and had run out before the month ended and the next pay check had come; 14 had usually high utility and medical bills that had taken money usually reserved for food; 18 were disabled; 20 had illness in the family; 6 had had fires in their homes; 10 had extra guests in their homes. When friends or family need help, the help given can cause those who are giving help to run out of food.

A number needing food had problems that related to food stamps; 61 had applied and they hadn't come. It can take up to 30–45 days for food stamps to arrive under regulations established within the last three years; 10 had been cut off the program; 114 said theirs were late; 6 had had them stolen and 116 said their food stamps had run out before the end of the month; [2] 2 needed food because their purses were stolen. Many different circumstances caused families to need emergency food.

What do we know about hunger in our community? A family's story was told at Christmastime when money was collected for the Empty Stocking Fund. A 37-year-old mother of two is a single parent. She had just received a master's degree in social work in June. For 6 months she had been looking for a job. She hadn't found one in her field nor any other job that would pay over $2.00 an hour. Her present income is $127 per month in Aid to Dependent Children, and $199 in food stamps, a total of $326. She owed $125 on her utility bill and was trying to pay a little each month to keep her electricity on. She had attended U. T. on a full scholarship for her master's degree. Now she experiences the same needs for food for her family as those who are poor and don't have master's degrees.

There's another family of nine that lives near one of our neighborhood centers, whose income is $7,464 per year or $622 a month. Rent is $75 a month for a 6-room house. Utilities were over $300 in March. After telephone costs there was $234 left. That means that there is $26 a month left for each family member to cover food,

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*Dixie Petrey is Director of the Nutrition Project of the Knoxville-Knox County Community Action Agency, 2661 Magnolia Ave., 37914, 615-546-3500.

[1] In December of 1983, 12,340 people were unemployed and still tryng to find work.

[2] During January of 1984, the aveage value of food stamps received in Knox County was 59¢ a meal.

clothes, school supplies and medicine. Sometimes members of this family experience hunger. Wouldn't you if you had $26 to cover all your needs other than housing in a month?

A Washington Post article in March of this year gave a new picture of poverty. It states that more than a fourth of all Americans lived in poverty during the 70's. The survey has begun to alter the long-held image that the poor in America form a permanent underclass locked into a "culture of poverty" with little chance of escape.

The long-term study by Duncan and his colleagues done at The University of Michigan suggests that most of those who slip into poverty do so for short periods after major adverse events, such as divorce or loss of job. Only a small percent of those who experience poverty remain consistently poor—about 2% of the U.S. population compared with 25% who experience short spells of poverty.

Long-term poverty strikes blacks in much higher proportions than whites. Contrary to the popular picture, however, they are mostly not stereotypical urban welfare mothers or young apathetic men. Nor are they apathetic or averse to advancement.

The Michigan study shows that the small number of people who are persistently poor fit a completely different profile:

One-third are old or live in families headed by the old.

40% live in households in which the head of the household is disabled.

⅔'s live in the South and most in rural areas.

This study followed 5,000 families for 15 years.

George Vaillant of Dartmouth Medical School writes in the American Journal of Psychiatry that "At first, the certainty of a self-perpetuating underclass appears so obvious as to require no proof." In the data from Duncan & Vaillant, however, a majority of children from impoverished homes escape poverty. Vaillant used data going back to 1940 on 456 Boston children, half of whom were from mostly white impoverished homes plagued by abuse, alcoholism and numerous other problems.

When 426 of the 456 persons were checked 35 years later, when they averaged age 47, Vallaint reports that children of poverty were now "almost indistinguishable from those without . . . initial disadvantages." The group had been employed about 90% of their lives.

The University of Michigan study also shows the obverse side of the poverty question. A significant percent of the poor move out of poverty even to the highest income levels of society, but an almost exactly equal number of the high and middle class slip down to the bottom of society.

We don't have a study of Knoxville like that, but I felt this was relevant because I do know people who have been poor and came from poor families, who are very much a part of the mainstream of our community now. I have also learned from those who give food to families with needs, that some who need food come from middle class neighborhoods, have homes and cars, but no money for food.

As I work with CAC, helping people and programs help low-income people help themselves, I meet people every day for whom I have great admiration. One day while talking about needs in Knoxville, Barbara Kelly, Deputy Director of CAC, gave me some information that has helped me better comprehend the different kinds of needs of those in our community who are called "poor".

There are the structurally poor, who have physical or mental problems that require that they will always need help.

There are the systemic poor who are having problems in our systems. They need job training, a better education, or have found no jobs available for them. People and programs that give opportunities can help those who are the systemic poor to move from poverty to a fulfilling independent life.

Then there are the circumstantially poor. Due to circumstances such as sudden poor health or loss of a job, poverty enters a family's life. Assistance for a period, however, will make it possible for those who are the circumstantially poor to also move to being independent and self-sufficient. Those who have trouble in the system and with circumstances causing low incomes have hope to move out of poverty and become independent. However, there are some who are structurally poor, who because of physical or mental problems will always need the care of the community.

The 1980 census gives us other information about Knox County.[3] 14% of the population is poor. That is 45,343 people. 14% of the poor are elderly over 65; 31.5% are

[3] This data was gathered in 1979. More recent national data from the Census Bureau taken in 1982, show that between 1981-82 the number of people in poverty rose 8.1%. This is the highest level since 1966, therefore the following local figures, which are the best I have, are lower than the actual level of poverty in 1984.

children; 33% are female; 20.8% are males age 18–64; 20.1% are black; 79.9% are white. However, of the total number of blacks in our county 34.7% of them are poor, while only 12.7% of the white population in Knox County are poor. Poor families average 2.17 children under 18.

In the last few years, the request for food from families who are hungry has increased. Social workers described these reasons to me. One in West Knoxville said, "I find a lot of people needing food now. Their food stamps have been cut so low. They run out of money for food. Older people have to buy medicine and they can't stretch their food budget. When the unemployed sign up for unemployment compensation, it takes a while to be processed. In the meantime they need emergency food."

A social worker in East Knoxville related another problem that occurs when a household has an adult family member move back in, "It used to be that the adult could apply for food stamps themselves, but now the head of the house applies and is recertified for more in her household. It takes time. The person who may have been getting $10 a month in food stamps, has another person to feed and no help for awhile. This is one cause of why people get hungry."

The last two descriptions of reasons for hunger cited examples related to cuts and changes in the rules of federal food programs that do affect our community. Again, let's let numbers tell of the impact, but remember that numbers relate to people. These food program cuts began in 1981. I will compare the number of people and households receiving help from food programs in 1984 to those receiving help in 1981. We have 4,843 fewer families using food stamps. There are 1,485 fewer women, infants and children using the food supplements provided through WIC. There are 1,200 fewer children receiving food through the summer feeding program. In January of 1984, there were $347,434 fewer dollars in food stamps coming into Knox County than during June of 1981.

There are some very positive aspects to these federal programs. When we lived in small towns we helped those down the street who were hungry. In urban communities, we may not know when a family is having a hard time, so the food stamp program is set up by caring Americans to help those who need assistance. The program is paid for by all tax-paying citizens. It allows families to choose their own food.

In January of this year 11,414 households were participating in the food stamp program in Knox County. Those households included 29,939 people. Because of food stamp program eligibility requirements and work of program staff, you can feel sure that those receiving food stamps have a need for the program. Their income, their resources, medical, child care and housing expenses, are all a part of what is considered in determining eligibility.

The food stamp program also stimulates the economy. The total economic effect of a dollar's worth of food stamps has been determined by a USDA study in Texas to be $3.64. This is called the multiplier effect. When a food stamp is redeemed, it creates business for the grocery store, the trucker who hauled the product, the food processor, the farmer who grew it, etc. There are other related businesses affected too: the increased demand for paper bags, tin cans, and plastic bags, as well as secondary impact on the need for more supermarket personnel, equipment such as cash registers, building construction and food processing operations equipment.

The "multiplier effect" means that for every $1.00 in food stamps spent in Knox County, $3.64 has been added to the economy. Therefore, the $1,354,842 spent in food stamps in Knox County in January of 1984, added $4,931,624 to our economy.

The Community Services Block Grant is a federal program coming to Knox County that increases the food supply of families. This year 2,800 families will have gardens and can produce their own food. It is estimated that a family can save $200–$400 on food costs in a year. If we use the median amount of $300, it means that $840,000 will be saved this year through CAC's Green Thumb Program. This program is also funded with help from TVA and private donations.

Included in the block grant are funds for maintaining a van for 4 independent food-buying clubs. Through these clubs 390 families save 20–50% in food costs by helping themselves through these cooperative food-buying clubs.

There is also a local public food program that is administered by Knox County General Assistance. In 1983, $9,873 was spent to help needy households with food. This program also verifies income and need by calling employers, food stamp workers, or asking for written documentation of income. 2,701 households were helped in 1983. It is reasonable to assume that most of these households have had experience with hunger.

The federal, state, and local public programs are resources. They combine with private programs such as FISH, Emergency Food Helpers and the SHARE: Southern Appalachian Food Bank to help feed those who are hungry. There is a need to

understand and support these programs as a cooperative system. It is important for us to understand that a change in one of these affects the others.

A local newspaper reported in September of 1983 that Senator Helms said that "most churches have a far greater capacity to help their neighbors than they have been willing to assume," and so he continues to work to cut the amount spent by government on food programs. In 1983, FISH provided food for 4,173 families. If I multiply that times $15.00, the amount estimated as the cost for a standardized food package, I get a total of $62,595. You have given, church people have given of their resources in Knox County. 81% of your 1983 calls were for food. You have helped in very real ways.

There are those who have said that there should not be a food stamp program, but that the churches should feed the poor. It appears to me that we need both. It is impractical to believe that Knox County's churches could provide the approximately $1,355,000 in food stamps now redeemed each month from people who need food assistance, but churches and concerned people are needed to help individual families in our community, along with the public programs.

You, in FISH are people who care about people. As you help you better understand those who hurt in our community. As you help you share God's love for all people. Jerry Seale, pastor to the deaf at First Baptist recently looked at hunger from a spiritual perspective. He spoke of the Christian "mind-set," and I believe that you as FISH volunteers have these qualities.

1. You value people because they are people, not because they are pretty, prosperous, or profitable.

2. You understand that there are many people who have worked just as hard as you have, but who don't have nearly as much as you have.

3. You have an attitude of unselfishness. You have looked out for your brothers and sisters in need. You have fed the hungry, helped make warm the cold and helped get clothes for those needing them.

4. You have become a servant. You have followed the law of the Old Testament for you have "opened wide your hand to the needy and to the poor in the land." (Deut. 15:11). You have chosen to follow the example of Jesus, who came as a servant man. When Jesus outlined success in life and greatness in His kingdom, He described it by pointing to a servant and saying, "He that is greatest, let him be a servant of all."

You have found the strength to serve, the patience for service, the will to serve, the people to serve, and a meaningful place to serve as you work with FISH.

You have probably experienced some sacrifice, for as one is called upon by God to do His will and serve others, that will inevitably lead to some sacrifice, but this is not a sacrifice to be feared. We remember the words of Francis of Assisi, when he said, "It is in giving that we receive." As you work with FISH you have visited, talked with, and helped the poor, the sick, the hungry, the unemployed, the angry, the depressed, the old, and the handicapped. Through your work, it is evident that you have made a personal decision to be concerned about the needs of others.

Tonight it's April 10th, 1984 and I've been sharing information about the past. How about the future? What do we know about hunger in the future? From the past we can learn that there will be new people and families experiencing hunger because of unexpected circumstances or problems related to our system. We can even imagine that some day one of us may need help with food. We know that some in our community, because of physical or mental problems, will continue to need assistance.

Therefore, we need to continue to strengthen our network and programs that help feed the hungry. We need to undergird each other, when we need encouragement. We need to continue to bring in new FISH volunteers to keep the program strong as the normal change in those serving occurs. People move, become ill, have changing responsibilities, so there needs to be an ongoing effort to bring in new people and groups to assist.

Tonight you've been given information about federal, state and local programs that help feed hungry people in our community. You need to be aware of the present programs, proposed changes and give support to those programs that you want your tax dollars to support. You can have an active role in designing these programs to become better for your community. Emergency Food Helpers, Bread for the World and the Tennessee Hunger Coalition are three groups easily available to you, that can help you have current information about food programs. When you know about the programs, you then can communicate your desires to the agencies making the rules, and to city, county, state and federal representatives that make the decisions which affect you and hungry people in Knox County.

Vicki Williams, a factory worker in Huntington, Indiana was quoted in Newsweek magazine in January of 1982. She said "The philosophy behind the original structure of the United States is that we sink or swim together. We don't make human sacrifices. If there is one child in this country who is hungry . . . then I want my $1,570.52 in taxes to go toward helping that child . . . One of the statements I read and hear most often is how fed up I'm supposed to be with the amount of my taxes that go for welfare, food stamps, programs for the elderly, subsidized school lunches and other supportive social services . . . Wrong! I identify with the beneficiaries of these programs. There, but for the grace of God go I!"

Laura Hendricks, Vice-President of the Community Food & Nutrition Task Force, a group of food program participants, made these statements in February of this year to members of the CAC Board:

"A common philosophy seems to draw us (the Task Force) together every other month. We believe that a nation will ultimately be judged by how it treats its weakest members; we believe that in a nation as rich as ours, no one should go hungry; we believe we are our brother's keeper. . .

"We find that little good comes from constantly looking at what is wrong with . . . programs. We instead prefer to spend our limited time and resources looking at programs as they now exist and formulating ways in which we can possibly make them better."

The efforts of the Task Force have made a difference. For example, food stamps are now mailed by certified mail in Knox County, so that people don't have to arrange transportation to get them and they can not be "lost" as they were when they came by regular mail.

There is a need for people who provide emergency food to be informed about food programs and to communicate with decision makers. Some of you have already been involved through Emergency Food Helpers. A letter received April 3rd from Leon Panetta, Chairman of the U.S. House of Representatives Committee on Agriculture, written to Bob Walker, Coordinator of Emergency Food Helpers states:

"I want to thank you for expressing the views of your group on the report of the President's Task Force on Food Assistance. . . . On March 15, I introduced the 'Hunger Relief Act of 1984,' H.R. 5151. This bill, which now has about 50 bipartisan cosponsors, includes most of the proposals . . . which you support . . . I am enclosing materials on H.R. 5151 and would welcome your views on it. It is my hope that this bill will become the basis for constructive anti-hunger legislation this year."

Emergency Food Helpers also wrote to state representatives giving support for the Tennessee Child Nutrition Bill which will increase the number of children in the state who have school breakfast available to them. . . On March 22nd, Bob Walker received a note from State Senator Douglas Henry saying that, "As sponsor of the Child Nutrition Bill in the Senate, I appreciate your support."

There is a need to be sure that food programs serve those who should be served. If you feel there is abuse, then contact those who administer the program so that problems can be corrected. Abuse harms the program and thus those that need to be served by it.

There is a need to be sure that those served by food programs are treated as you and I would like to be treated. If you feel this is not being done, then call those who administer the program.

There is a need to improve the food supply of those without transportation in our inner-city. A study reported in the March 15th issue of the CNI Weekly states that "a Hartford family of four with poverty-level income of $9,900 could have additional annual food costs of $1,500 due to the difference in prices between Hartford and the suburbs." Comparative pricing in our community shows the same difference. There must be a way to change this fact. The Knoxville Food Policy Council is working on this and welcomes assistance.

To review, there is a need to continue and strengthen the FISH program and the local network that provides emergency food. There is a need to have a part in the rule making and law making that determines the public food programs that affect our community. There is a need to be sure that the programs in our community are run without abuse and in a caring way.

Tonight, I was asked to share information about "What we *do* know about Hunger in East Tennessee."

We know that a variety of circumstances cause people to be hungry.

We know that 45,343 people in our county have incomes that put them below the poverty level.

We know that there are helpful public and private programs to help those that are hungry.

We know that citizens in our community need to be involved in designing and evaluating food programs to serve those who are hungry in Knox County.

We know that there are people in our community who believe that they are their brother's and sister's keeper. You who are FISH volunteers serve in unselfish ways.

To some the "problem of hunger" becomes an overwhelming problem with no answers, so they do nothing. To others, like you, there comes a realization that though a person can't do everything, one person can do something, and you do what you can do to help.

As FISH volunteers you have also found that when individuals work together in a team effort, through a group, that more is accomplished.

May I challenge you to continue to go into a hungry and hurting world in peace; go intending to be God's servant people: servants to the poor, the hungry and the oppressed. When you go, you bring light into darkness and bread to the hungry.

The prophet Micah in a single sentence sums up the legal, ethical and spiritual requirements of religion. "What does the Lord require of you but to do justice, to love mercy and to walk humbly with thy God." That happens as you, as FISH volunteers, go fishing together.

STATEMENT OF MARCIA S. REED, CLARKSVILLE, TENN.

SUMMARY

The AFDC program as it is currently structured with the 150% cap, limited earned income disregards and monthly reporting/retrospective budgeting creates a hardship for working mothers and families with health problems.

In some cases working at all may cost money rather than increase the income. The restrictions do not encourage working or trying to bring a family into better circumstances.

The greatest hardship is on the children who have no opportunity to reach their potential and face limited futures.

RECOMMENDATION

Make the changes in the AFDC program that would encourage working mothers and keep the eligibility at least for Medicaid available to more persons.

I am Marcia Reed. I am the mother of three children. Robert is 13, Elijah is 8 and Felicia is 5 years old. I am a full time student at Austin Peay State University in Clarksville Tennessee. I work for the secretary in the Accounting, Information Systems, Management and Marketing office at APSU on the College Work Study Program (CWSP). I am majoring in Agri-Business and hope to have a minor in both accounting and Computer Science.

My children and I live on an income from my CWSP, Pell Grant, and AFDC. We also receive Food Stamps and live in subsidized housing. We are also eligable for Medicaid. My medicaid card is extremely important to me since I have children with medical problems. Robert is an asthmatic and requires from two to four different types of medication each day. Robert also receives two allergy shots and had to be hospitalized twice in one year due to asthma and allergy problems. Elijah has had trouble with ear infections for most of his life and this has seemed to contribute to a speech problem. Felicia has to wear glasses and has been since she was four years old. Even with medicaid I still have uncovered medical expenses that I must find ways to provide for.

My monthly income changes so much that I can not ever be sure what income I will have each month. This change is largely due to the monthly reporting and retrospective budgeting. Even if I received the maximum AFDC payment (which I do not) my annual cash income would only be $2,588 from all sources. If we were not able to live in Government Subsidized Housing we would have a real hard time surviving.

Although I have tried to get child support for my children all of my efforts seem to be in vein. I feel that at least the children's fathers and I should have to share in the responsibilities of raising these children. However, as it is now, and has been for 2½ years my children can only depend upon their mother for their needs to be met. In order for me to meet my children's needs in life I must turn to the State of Tennessee and the Federal Government of the United States.

The main reason for my going to college is in hoping that I will be able someday to support my children. There is simply no way that I can work for minimum wage and fulfill my children's most basic needs in life. Due to my income in February of

$113.00 from CSWP my AFDC payment for April was cut to $81.00. That means that for earning $113.00 they cut $73.00 off my AFDC check and lowered my food stamps by about $29.00. My rent had also increased $14.00 a month due to my earnings. When I look at what has happened I see a loss of $116.00 in April due to an earned income of $113.00 in February. I have as much as been laughed at by some people I know because I am naive enough to work in order to lose $3.00 in income. I do at least have the experience of working and the satisfaction that I am a productive citizen. However these happy and proud feelings are soon lost when I realize that I still cannot afford anything more for my children by working. If the earned income disregards had continued for more than 4 months I would feel like I was benefiting financially. Even though I was not able to work on the CWSP from June 1983 to December 1983 when I did go back to work I was not given the 4 months disregard. The funny thing here is that one worker said I should be, and then they swithced my workers, and my new worker said I shouldn't be given the disregard again. At least I was given the $40.00 a month work related expense deduction. Without that deduction I would have had another $40.00 taken out of my check. I had a question on my monthly reporting from that I was to have past dated by the fifth of April. Since I had a question and could not reach my worker I took my monthly report to the office on the sixth of April even before the mail had come. I was later informed by my worker that due to my untimely reporting I would not receive the $40.00 montly work expense deduction. So now due to earning $108.00 in March I will only receive a $46.00 AFDC check. I have to wonder if this was necessary considering that they still received this report the same day as they would if I had mailed it. The problem that this is causing is not at all worth me working. If I had it to do over I would spend those hours with my children or studying and I would have been better off financially.

I now understand why more Welfare Mothers are not out working or beating the doors down for a job. The way the system works there is no getting ahead when you are poor. Is this really the American way?

In closing I would like to thank you for taking time out of your very busy schedule to read my statement. I am very sorry I missed speaking before the subcommittee. If there are any questions please feel free to call or write. I will do all I can to clarify any of the statements that I have made or answer any questions you may have.

STATEMENT OF CALLIE HUTCHISON, EXECUTIVE COORDINATOR, TENNESSEE HUNGER COALITION, AND ON BEHALF OF KENTUCKY TASK FORCE ON HUNGER

SUMMARY

Poor and low-income working people have been heavily affected by the budget cuts of the last two years and any further cuts in social services will increase the desperation and hopelessness many people feel.

Increasing number of persons have been affected by unemployment, underemployment, homelessness, hunger and poverty and individuals and privately support organizations cannot begin to provide adequate assistance.

People in Tennessee, Kentucky and other southern states are affected particularly harshly because of the low standards and benefits in any programs with state options or control. Changes in the AFDC program such as the 150% cap, limited earned income disregards and monthly reporting and retrospective budgeting have created hardships for many of Tennessee's working poor. The inability to qualify for Medicaid while receiving a very limited income has a devastating affect.

RECOMMENDATIONS

1. Make adjustments in AFDC program called for in HR 4327;
2. To create a more effective program of aid to persons in need through methods outlined in HR 4326;
3. To oppose any further cuts in the AFDC program or any other human service program and the creation of further barriers to participation;
4. To restore the programs to more adequate levels of funding;
5. Evaluate new legislation as to its effect on people in states with limited state support for human services;
6. Provide legislative incentives to states to establish programs that are available to them.

TESTIMONY OF CALLIE HUTCHISON, TENNESSEE HUNGER COALITION TO THE SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, MEMPHIS, TENN., APRIL 9, 1984

Representative Ford, members of the subcommittee, and those others present today. I appreciate the opportunity to appear before you on behalf of the members of the Tennessee Hunger Coalition and other poor people and their allies in Tennessee.

I will also be including material from our companion organization in Kentucky, the Kentucky Task Force on Hunger, since they regretably are unable to accept your invitation to attend. Much of what I will say about Tennessee is also applicable to Kentucky. They will submit written comments at a later date.

The Tennessee Hunger Coalition is a statewide organization whose members are individuals, groups and organizations with a broad range of activities and concerns who have come together to develop common strategies to deal with hunger and poverty in Tennessee. We believe that it is only possible to find solutions to hunger and poverty through the democratic participation of all persons in the economic, political and administrative decisions which effect their lives.

We envision a future in which the abundant resources in our society will be shared in a way that leaves no individual destitute and desperate, enhances the personal dignity and self-worth of each person, and creates minimal dependency and loss of privacy for people in need when outside intervention is necessary.

We firmly believe that government at all levels has a responsibility to provide for persons for whom the economy has failed to provide sufficient resources. And we believe that the most humane and cost-effective approach to meeting human needs is one which is both timely and adequate to respond to that need.

It has always been difficult to prove to certain segments to our society that there is a part of our population that is in severe and critical need. It is also difficult to overcome the mythology which would have us believe that those experiencing need are only those who choose their condition willingly or contribute to their condition by refusing to live honest and hard-working lives.

Those of us who are here to testify can only begin to present the reality of a situation which for many poor people has become a situation of despair and hopelessness. We can present multitudes of statistics on the effects of budget cuts and the changes in policies in the assistance programs. We can illustrate how these changes have sent families into the streets, have created massive increases in the demands on private organizations for on-going rather than supplemental or emergency services, and have broadened the gap between being rich and being poor in one of the richest countries in the world. Food banks in Tennessee, as all over the states, have reported increases from 65% to 400% in requests for food assistance since 1980.

Many of the food banks have only recently been organized in communities where the need began to outstrip the ability of individuals or small groups to continue to provide assistance.

Requests for shelter and the growth of new shelters, particularly shelters for women and children and families, show a similar increase all across the country and indicate the rise in homelessness among a new population of people.

There are similar statistics for soup kitchens and other feeding programs which are not tied to federal support. And yet many of the programs which have sprung up have also died out because of the lack of resources.

In October 1981, a study completed by the Kentucky Task Force on Hunger and her parent body the Kentucky Council of Churches determined that, if each of Kentucky's 6,000 churches with an aveage membership of 198, wanted to replace the benefits lost to Kentuckians because of reductions in the federal food programs alone, an additional $12,600 would have to be raised by each congregation, or $360.00 for every man, woman, and child. This was an impossible task then and the cuts have continued.

Poverty also seems to be more firmly entrenched in the hands of women and specific racial or ethnic groups. The relative income levels of poor women and minorities were actually unaffected by the economic growth experienced in male-headed white families during the two decades prior to 1980. About three-fourths of all the people living in poverty are women and half of all families living in poverty are headed by women. Half of all black children today live in homes headed by single women. Unemployment rates among minorities continue to double those for whites. Current lay offs and cutbacks are all more likely to affect the minority or female worker first. But the biggest outrage continues to be the impoverished lives of so

many children black and white who are almost lost before they begin when assistance to meet even their most basic needs is unavailable and inadequate.

Tennessee like all other states felt the devastating effects of the 25% or greater reductions in funding that were implemented in the federally supported social and food programs in 1981. More than 9,000 families lost their benefits from the cuts in the Food Stamp program and thousands more had their benefits reduced. The 1981 changes also cut over 18,000 people, including 11,000 children, from AFDC and more significantly from the medical benefits attached to AFDC eligibility. In Kentucky the cuts were even more severe with 27,100 terminated from Food Stamps and 31,000 from AFDC and medical benefits. Benefits for many more were reduced and other reductions in housing assistance, energy assistance, school meals and other child nutrition programs hit many of the same families and many others who depended on just that little extra to get by each month.

But even before these cuts there was still a high incidence of poverty in Tennessee. With a 16.5% poverty rate established by the 1980 census, Tennessee ranked 12th in the nation. Since then poverty has continued to climb and had reached 18% in 1982 in the Southeastern states according to a study by the Census Bureau. Unemployment in Tennessee continues to run higher than the national average and although the overall rate for Tennessee was 11.5% in 1983 some counties had unemployment rates as high as 40% in the winter months of 1983 and currently some counties are experiencing official unemployment rates of 30% or higher.

In addition Tennessee like other southern states also ranks near the bottom in any kind of support for individuals or families in need. Tennessee ranks 48th in its grant payments for AFDC and, since other states moved to change their standard following the 1981 federal changes, Tennessee currently has the lowest standard of need in the country. At $217 for a family of four many families who would be eligible for aid in other states are ineligible in Tennessee. Most of the cuts in Tennessee's AFDC program in 1982 were the result of the 150% cap and that continues to be the single most significant reason for AFDC terminations in Tennessee. Additionally Tennessee pays only 71% of its standard in grants. We are currently working to change that situation through legislation in Tennessee. But social services are rarely a priority in the Tennessee budget.

But even if the changes being considered in this session are implemented Tennessees standard will still rank in the last 10 in the country. Tennessee's standard of need has been changed only once since it was set in 1951, an increase of 7.5% by federal court order. Since then the standard of living for most other people has risen over 128%. Tennessee does not choose to offer any other general assistance program or AFDC-UP. AFDC provides support for over 58,000 families and 102,000 children in Tennessee. In Kentucky 56,735 families and 100,302 children receive AFDC assistance. These numbers are reduced by 8,000-9,000 from 1981 and still more cuts are being called for by the administration budget.

Even the most conservative of the welfare reform proposals call for a minimum standard assistance program that guarantees benefits not lower than 65% of the federal poverty line, but AFDC and food stamp benefits in Tennessee and most other other southern states still add up to less than 54% of the poverty line.

What all of this adds up to is an extremely difficult situation for many Tennesseans and other poor people in Kentucky and throughout the South.

Tennessee is a poor state. Nearly 56% of its revenue comes from a sales tax including a tax on food (which hopefully we have succeeded in eliminating beginning in 1985). Tennessee has been highly dependent on federal dollars to provide for human needs in Tennessee. The $300 million in federal dollars that was cut from Tennessee's budget in 1982 was not replaced by state dollars. Many people who want jobs can't find work. Those who can't work find very little assistance from local or state governments. Some programs have never been implemented in some Tennessee counties. Last August there were eleven counties which had not accepted the money that was available to them for emergency food and shelter.

The Tennessee Hunger Coalition would like to join with our sister states in the Council of Southern Hunger Coalitions and endorse your efforts to make the AFDC program less rigid and to adjust some of the regulations which have penalized the working poor and have increased the dependence of welfare recipients by eliminating the potential benefits from working. Of particular benefit are the removal of the 150% cap and the reestablishment of the earned income disregards. We appreciate your efforts to identify ways to simplify and deliver human services more effectively. We oppose any further cuts in the AFDC program and the mandating of any further barriers to participation.

We hope you will carry back to Congress some sense of the increasingly heavy burden being carried by the poor and low-income working people in this country

and that you will not vote for budget that calls for any cuts to human needs programs but rather find ways to increase program services to more adequately meet the needs for which they were created. Finally, we hope that more consideration can be given to those living in poverty in the poorest states. Any legislation considered should give encouragement to states to increase their assistance programs and safeguards should be instituted in any state option to insure that it is not used to further reduce or eliminate benefits to people in those states.

We appreciate your concern for these matters. Thank you for your attention.

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